

FINANCIAL TIMES

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World Business Newspaper

THURSDAY MAY 9 1996

German MPs to debate shop hours reform

The fate of German shop opening hours could be resolved today when the Bundestag, the country's lower house, finally considers liberalisation. Pressure for reform of the rigid rules has been growing for years and leading economics institute Ifo has said it could create up to 50,000 jobs at a time of record unemployment. Page 3

Ticket scandal hits UK football organisers
A ticket scandal has rocked Britain's Football Association only weeks before it is due to launch the UK's biggest sporting event for 80 years. FA commercial director Trevor Phillips (left) has quit and police are probing the sale of tickets for the European Championships, the association confirmed. The investigation is said to focus on corporate hospitality tickets rather than tickets for sale to the public. Page 18

Trial of ex-Nazi opens The trial of 82-year-old former Nazi SS captain Erich Priebke on war crimes charges began in a Rome military court. Extradited to Italy from Argentina last year, Priebke is accused of helping the massacre of 336 Italians in caves outside Rome in 1944. Page 2

EU seeks tougher controls Britain has been told to tighten controls on gelatin and tallow production as a condition of getting the European Union to start lifting its ban on beef products. Page 12

Boost for Ericsson Swedish telecoms group Ericsson boosted first-quarter profits by 28 per cent to Skr1.55bn (\$227m), thanks mainly to a 36 per cent jump in turnover by its mobile products division. Page 17

Protesters fight police German anti-nuclear protesters fought police in the northern town of Dammberg in a last-ditch attempt to prevent a nuclear waste shipment reaching a depot in northern Germany. Several demonstrators and police were seriously injured. Page 3

Newscorp shares fell almost 3 per cent after Rupert Murdoch's media and entertainment group reported a sharp drop in third-quarter after-tax profits from \$455.1m (US\$200m) a year earlier to \$377m, due mainly to a \$204m abnormal item. Page 22

Profits fall at UK supermarket British supermarket group J. Sainsbury announced its first drop in underlying profits in its 22 years as a public company. Pre-tax, pre-exceptional profits fell from \$308m to \$274m in the year to March 9. Page 17

Slovak privatisation shelved Slovak prime minister Vladimir Meciar postponed the privatisation of the country's main banks indefinitely. Page 2

Vietnam contracts on hold Four telecoms contracts totalling some \$1.4bn appear stalled because of Vietnamese worries about letting foreign firms into the sector and a shift in the country's revenue forecasts. Page 6

Israel and UN at loggerheads Israel clashed with the United Nations over a UN report that questioned whether Israel's bombardment of a UN base in Lebanon last month was an accident. More than 100 civilians were killed. Page 4

Hashimoto in call to banks Japanese banks should bear more of the costs of liquidating the country's bankrupt housing loan companies, prime minister Ryutaro Hashimoto said. His call signalled that the government may change its plan to spend public money on the liquidation. Page 4

Swissair monopoly may get Switzerland wants to end its national carrier's monopoly in domestic air traffic following Swissair's decision to concentrate international flights on Zurich. Page 2

UK van maker seeks partner British vanmaker LDV is looking for a development partner, possibly in Asia. LDV has risen from the ashes of the former Leyland Daf group. Page 12

America Online, the US consumer online information company, is to launch a joint venture in Japan with trading company Mitsubishi and Nihon Keizai Shimbun (Nikkei), publisher of the leading Japanese business newspaper. AOL's third quarter revenues leapt 186 per cent to \$312.3m. Page 17

Clinton challenges President Bill Clinton challenged the Republican majority in the US Congress to pass the necessary legislation without "poison pills" that would ensure his veto. Page 11

STOCK MARKET INDICES		GOLD	
New York Composite	5,381.57 (-39.26)	New York Gold	329.45 (95.8)
NASDAQ Composite	1,158.28 (-14.23)	London	339.45 (93.8)
Europe and Far East			
DAX	2,083.74 (-6.89)		
FT-SE 100	2,772.84 (-8.89)		
Nikkei	3,787.3 (-23.52)		
	21,728.6 (+233.52)		
US LUNDMARKET RATES		DOLLAR	
Federal Funds	5.25%	New York Exchange	1.2578
3-mth Treasury Bill	5.114%	DM	1.5145
Long Bond	37.1%	FF	6.124
Yield	7.839%	SP	1.2215
		V	103.165
OTHER RATES		STERLING	
UK 3-mo interbank	6.25% (6.25)	£	1.5182 (1.5113)
UK 10 yr bill	6.5% (6.5)	DM	1.5183 (1.5213)
France 10 yr bill	5.5% (5.5)	FF	6.139 (5.144)
Germany 10 yr bill	5.5% (5.5)	SP	1.2217 (1.243)
Japan 10 yr bill	5.11% (5.11)	V	103.22 (104.82)
	57.85 (57.12)		
NORTH SEA OIL (Argonne)			
Brent Dated	\$19.81 (20.03)	Tokyo 3 close	¥ 105.4

CURRENCY EXCHANGE RATES	
Austria	133.75
Belgium	36.36
Denmark	6.46
France	6.55
Germany	1.93
Italy	1.93
Japan	161.00
Spain	166.37
Switzerland	7.20
UK	1.63
US	0.78
Canada	0.71
South Africa	4.50
Sweden	8.46
Norway	4.76
Poland	200.48
Czech	200.48
Slovakia	200.48
Hungary	200.48
Cyprus	336.37
Greece	340.75
Portugal	200.48
Turkey	1.80
Lebanon	150.00

De Klerk angry over new constitution ■ Sharp divisions with ANC

Rand falls amid fears of disunity in S Africa

By Roger Matthews in Cape Town
Celebrations to mark the adoption of a new constitution by South Africa were marred yesterday by a further sharp fall in the value of the rand and fears that the government of national unity could soon fall apart.
The rand which opened in Johannesburg at R4.85 to the dollar, later fell to a new low of R4.48, while industrial shares closed at a five-month low.
Mr F.W. de Klerk, leader of the National party, told the constitutional assembly his organisation would next week review its position as a junior partner in the government because of dissatisfaction with some clauses in the constitution.
The assembly's vote came two years after elections which ended the country's apartheid regime and brought President Nelson Mandela and the African National Congress to power.
The National party voted for the new constitution, which passed by 421 votes to two, with 10 abstentions. But Mr de Klerk, who is also deputy president, expressed reservations about several clauses and complained that the ANC had used its majority to dominate the negotiating process.
"This new constitution rings the death knell of multiparty participation in decision-making at the executive level," he said.
The remarks reflect the sharp divisions within his party over compromises struck with the ANC during hectic last minute negotiations. There was particular concern over the clause which says no provision in the section on property rights "may impede the state from taking legislative and other measures to achieve land reform or equitable access to natural resources".
This follows a clause allowing individuals or communities to seek restitution for property seized under "past racially discriminatory laws or practices", which has raised the strongest fears among the farming community, an important part of the National party's support base.
The ANC refused, however, to accept any wording which would have legitimised land seizures



Nelson Mandela (left) with F.W. de Klerk (centre) and Constitutional Assembly chairman Cyril Ramaphosa after South Africa's new constitution was approved in Cape Town. Picture: Reuters

and other actions committed during the apartheid era.
Foreign and local investors were unsettled by the disputes. The overall stock index ended 80.5 points weaker at 6,795.6, while the industrial index slipped 203.6 points to 7,939.8. Gold shares were a safe haven for investors, with the sector adding 2.5 per cent and rising to a 17-month high.
The problems of the rand were highlighted by an announcement last night from the Reserve Bank that gold and foreign exchange reserves fell last month by R2.3bn to R11.7bn, mainly as a result of efforts to calm the currency markets.
"The fall makes it even less likely that the Reserve Bank could recommend any easing of foreign exchange controls, the removal of which have prompted much of the speculation against the rand."
The National party was also divided over the compromise struck on education. Most mem-

US groups team up to develop new jumbo engine

By Michael Cassell and Michael Skapinker in London
General Electric and Pratt & Whitney of the US are to collaborate for the first time to develop an engine for the new generation of Boeing "super-jumbo" aircraft due to enter service early in the next century.
After six weeks of talks, the two aero-engine manufacturers announced yesterday they would develop and market the engine for new versions of the Boeing 747 through a 50-50 joint venture company.
They said the project, likely to cost up to \$1.5bn, had been discussed with Boeing, which had urged them to explore a joint programme.
The decision is a potential blow to Rolls-Royce of the UK, which has been mentioned frequently as a potential merger partner for Pratt & Whitney.
However, Rolls-Royce last night said, it hoped to offer one of the existing Trent family of engines - or a variant - to power both the proposed 747-500, an extended range version of the 747-400, and the 747-600, a stretched version carrying up to 540 passengers.
GE said talks on the location and the precise workings of the new company would take place over the next few months.
The companies are defining the engine's technical specifications and the structure of the joint venture. Management for the venture will be held solely by the two partners, although they said additional revenue-sharing participants would be considered for the programme.
They confirmed the previously stated intention to have the engines on sale by 2000.
Boeing has said it wants to begin work on new versions of the 747 by the end of the year.
The partners claimed the engines would offer Boeing and the airline industry "the best engine in a timely fashion and at a significantly lower cost".
GE and Pratt & Whitney have both complained about the cost of developing engines and have said it would be preferable for

Brussels seeks more power to combat fraud

By Bruce Clark in Brussels
Criminal gangs operating across national borders of large-scale swindlers, some 10 per cent of the cases accounted for half the money lost.
Ms Gradin said the agricultural budget, which accounted for about half the fraud cases, was being cheated by "criminal gangs" which also specialised in the drugs trade and money-laundering. "We are struck by the fact that there is more and more organised crime," she said, adding that many crime syndicates straddled national borders and could not be countered by individual nations acting alone.
Ms Gradin said more of the responsibility for fighting fraud should be a core function in which all European Union institutions were involved. She said the issue of fraud was bound up with that of maintaining the internal market, which was part of the core institutions' job.
Most co-operation in the fight against crime takes place under the poorly functioning "third pillar" which brings together the interior and justice ministries of the EU's 15 members.
The 1995 report showed a decline in the value of newly detected fraud cases in the farm sector - to Ecu489m, compared with Ecu499m in 1994 - and said this partly reflected reforms in the Common Agricultural Policy. Because of these reforms, expenditure on export refunds for cereals and on olive oil subsidies - sectors where levels of fraud were high - had been reduced.
However, the reported value of fraud cases related to the EU's structural funds had risen sharply from Ecu21m in 1994 to Ecu57m in 1995, the report said, although it added that this might reflect a tightening of member states' obligations to report fraud as soon as it was discovered.
As an example of cross-border fraud, the report cited a string of cases where dairy products or sugar from central and eastern Europe were reaching the EU market without being subject to duty. This was often made possible through the abuse of transit arrangements.
The Commission said 4,000 calls had been received on an anonymous telephone line established last year on which suspected fraud could be reported. About 200 cases had been investigated leading to the discovery of Ecu30m of embezzlement.

European job agencies plan merger to rival world leader

By David Buchanan in Paris
Two European employment agencies - Ecco of France and Adia of Switzerland - plan to merge, forming a group with sales of about FF32bn (\$8bn) a year which will challenge the US company Manpower for world leadership of the sector.
Under the deal announced yesterday, Adia will absorb Ecco by offering 1.028 shares for each Ecco share, with a limited cash alternative. The company will be Swiss, but will be renamed and quoted on the Paris, Zurich and New York stock exchanges.
The move comes as demand for temporary staff, particularly in accounting, computing and engineering, is growing fast as companies seek to expand or restructure without increasing permanent overheads.
The merger will put the group level with Manpower, the current leader with 8 per cent of the world market in personnel services if Manpower's franchisees are taken into account.
There is no agreement yet on the name, except it should reflect the two existing brand names.
Adia, with turnover of SF3.66bn (\$2.94bn), is smaller than Ecco which had sales of FF20.5bn (\$3.97bn) last year but the Swiss structure has been chosen for the new group. Adia is listed on more exchanges than Ecco, its share price has recently performed better, and its public shareholders were felt to be more sensitive over a foreign takeover than Ecco's.
The chairman of the two companies will alternate as president. Mr Philippe Foriel-Destezet of Ecco will hold the job for the first year, followed by Mr Klaus Jacobs of Adia. Mr Foriel-Destezet and Mr Jacobs control, respectively, 46 and 53 per cent of their companies and have pledged to remain long-term shareholders of the group.
The new company will have combined revenues of about FF32bn after Ecco sells its small security and cleaning business to Mr Foriel-Destezet.
The two companies see potential growth from gradual labour deregulation in leading economies such as Germany and Japan, where temporary employment has been costly or difficult.

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Banding together Emu's outsiders

The concept of a new ERM is broadly agreed; the details remain to be thrashed out

By Gillian Tett, European Correspondent

Mr Yves Thibault de Silguy, the European Union's monetary commissioner, meets British officials today in London to discuss the merits of a new exchange rate mechanism linking countries outside the planned European monetary union with the proposed single currency.

His visit comes as the new ERM concept is gathering momentum. Expectations are growing that both Italy and Finland will join the existing ERM this summer. Broad agreement has emerged among European leaders not only on the need for a new ERM if Emu occurs in 1999 but also on some

principles underpinning it. The European Monetary Institute, forerunner of a future European central bank (ECB), hopes to thrash out many details this summer. However, there is a consensus among Europe's central bankers that any new ERM should be based around loose bands, with some currencies operating in narrower bands if they wish.

The width of the broad bands is thought likely to be similar to the current 15 per cent, with smaller bands of about 2.5 per cent.

On the face of it, this would leave a future ERM looking little different from the present one - with the key distinction that ERM currencies would be

anchored around the euro, rather than each other.

But the expectation is that the national banks of currencies under attack would have to bear much of the responsibility for intervention rather than relying simply on the ECB to bail them out.

This would not preclude some assistance from the ECB. But calls from such countries as France for a rigid system of intervention commitments look set to be squashed. Nevertheless, if the ECB's intervention commitments are limited, then one of the key bargaining points this summer will be how much power it will have in setting ERM rates. Many bankers currently think that the ECB, rather

than national banks, should determine ERM levels. The hope behind this is that costly intervention can be avoided by making the system as market credible as possible.

But another way bankers hope to avoid instability is by putting pressure on countries to avoid excessive policies - such as excess deficits - that might expose their currencies to attack. Details have yet to be thrashed out.

The French, for example, want to guard against devaluation through threats to pay EU funds in national currencies, rather than the euro, and to reduce structural funds to EU members who run deficits. The Commission will produce a report on the these

ideas by the next formal meeting of EU ministers in the summer.

They are fiercely opposed by many member states and are regarded with scepticism by some key Brussels officials.

Another idea, proposed by the Commission, would be to bolster existing measures in the Maastricht treaty which allow (in a very vague form) for surveillance and sanctions against countries with excessive deficits.

The Commission partly hopes to use this to counter German proposals for a fiscal "stability pact" for the euro area. But it also hopes it would make the ERM more credible, arguing that better surveillance of countries' monetary

and budgetary policies could support currencies.

The prospect of national budgets being scrutinised by fellow member states - or the Commission - is controversial in countries such as Britain. But most European central bankers regard some form of policy surveillance as desirable - although how the ECB would relate to other European institutions in this is unclear.

As one banking official says: "Surveillance is a lot cheaper than intervention."

It is these subtle issues of surveillance, rather than eye-catching questions of currency bands, which are likely to provide the real meat for debate over the rest of the year. Editorial comment, Page 15

Greece's share registration row hits bourse

By Kevin Hope in Athens

An attempt to improve transparency among Greek companies has backfired, leading to a slump in trading on the Greek stock exchange and uncertainty for foreign companies working in the country.

The bourse authorities have suspended trading in 89 Greek companies involved in large infrastructure projects until their shares are registered in the names of individual owners.

In a move intended to discourage speculation in shares of construction and high-tech companies bidding for public works projects partly funded by European Union grants, the government ruled that shares in such companies must be registered under individual names and use a company name, in line with securities regulations in the rest of the European Union.

An Athens broker said: "The move for more shares to be registered is good news for the bourse. But in its present shape, the new law implies discrimination against international investors."

One company affected by the legislation is Ericsson of Sweden, which holds an equity stake of about 10 per cent in Intracom, a Greek telecoms equipment manufacturer which is one of the biggest suppliers to OTE, the state telecoms monopoly.

International institutions also have shareholdings in Aktor and Helleniki Technodomi, two large Greek construction companies which are participating respectively in international consortia awarded contracts to build a Dr50bn toll highway as part of a ring road for Athens and a Dr210bn bridge in western Greece.

Trading volume on the bourse dropped to around a third of average of Dr3.3bn (\$13.5m) this week, compared with around Dr6.6bn last month. Although the sector has long ground recently because of delays in awarding contracts for EU-financed projects, trading in shares of the 30 listed construction companies still accounted for around 20 per cent of daily volume in April.

The Socialist government intends to make all 200 companies listed on the Athens bourse issue registered shares.

Swissair could lose monopoly

Switzerland's government said yesterday that it wanted to end the legal monopoly in domestic air traffic held by Swissair, the national carrier, and would liberalise its domestic air policy.

The decision was tied to a recent decision by Swissair to concentrate international flights on Zurich, making Geneva a secondary centre for its operations.

The government said it would offer more liberal carrier rights to non-Swiss airlines in exchange for reciprocal rights.

This exchange of rights would have to be negotiated, it said. The liberalisation would also affect Geneva airport.

Swissair responded by saying that it welcomed the government's plans to end some restrictions on rival airlines flying in and out of the country. A spokesman said the airline was in favour of the move, which was likely to lead to more rights for Swissair within the European Union.

Swissair's decision highlights a problem faced by a large number of foreign artists since the beginning of the



Czech right reaps reward of things going right

In the days when political prisoners languished in Czechoslovak jails, the Communist party was ensconced in an enormous riverside headquarters on the edge of Prague's Old Town. Now, Vaclav Havel, the country's most famous political prisoner, occupies the presidency in Prague Castle, and the Czech Communist party (KSCM) has fled to one floor of a grimy old palace on Political Prisoners Street, the resonant name of a traffic-choked alley off Wenceslas Square.

Defiantly keeping its name and neo-Stalinist ideology, the KSCM is on the margins while the country undertakes successful economic reforms under its prime minister, Mr Vaclav Klaus. Through its failure to reform it has also found its political constituency taken by the Social Democrats (CSSD), the additional party of the left in Czech politics.

As opinion polls bear out, the Czechs look set to return the centre-right coalition in a general election on May 31 and June 1. If they do, they will break a recent cycle that has seen reformers ousted and "post-Communist" governments returned to power across central and eastern Europe.

Mr Miroslav Grebeníček, the KSCM leader, still espouses collectivisation and a powerful state, and claims the events of the past six years have created "freedom and democracy for the rich and bureaucracy for the rest".

The party's appeal now is to pensioners and those who genuinely long for the old days, and it has a core 8 per cent support base. But, in a country with a tradition of social democracy dating from 1878, with a brief but much recalled period as a prosperous democracy from 1919 to 1938, and which is in the middle of a conservative revival, Mr Grebeníček admits the market for unreconstructed Marxism-Leninism is small.

The Czech Republic is rare in the region in not having a strong post-Communist party

Czech centre-right on course for victory

Prime Minister Vaclav Klaus: a mix of innovation and pragmatism has kept voters on the side of his Civic Democratic party

The main parties: latest opinion polls	
Centre-right	
Civic Democratic party (ODS)	27.0%
Civic Democratic Alliance (ODA)	8.5%
Christian Democrats (KDU)	8.2%
	43.7%
Centre-left	
Social Democrats (CSSD)	20.5%
Various	7.2%
	27.7%
Far right	
Freedom party (SPR)	8.8%
	7.8%
Other	
KSČM (KSCM)	7.8%

to which disgruntled voters can turn. The failure of the KSCM to reform itself meant that the left has developed in a different way than in Poland or Hungary, where ex-Communists have returned to power in recent elections.

President Vaclav Havel described the pre-1989 Communist party as "one of the most conservative and most sclerotic" of the eastern bloc's leaderships at the time. After

leadership, and a half-hearted campaign has seen its support slip from a peak of 24 per cent last summer to 20 per cent now. Given the public animosity to the Communists, a coalition with the KSCM is out of the question.

Mr Klaus, who leads the Civic Democratic party, the country's dominant political force, has created a wide consensus for reform through a mix of innovation and pragmatism. He eschewed shock therapy, the death-knell of reformers in Poland and Hungary, and kept voters on-side through free mass privatisation and property restitution combined with rent controls and artificially low energy prices, ensuring that the transition has been quite painless.

This consensus was made possible by the country's social cohesion and its conservative slant. There is no angry small-farmer lobby as in Poland, and the government has been careful not to alienate pensioners. Blue- and white-collar workers alike own a stake in the economy as a result of mass privatisation.

The mood of the country is now firmly in the conservative camp, and continuity is the theme of the election campaign. "It is very difficult for [the left] to win votes in a country where most things have gone right since 1989," Mr Pebe notes.

If there is to be a swing to the left it could happen during the lifetime of the new parliament. Some tough decisions on deregulating important areas of the economy, especially energy prices, remain to be tackled. Faster industrial restructuring is likely to push unemployment much higher than the current 3 per cent.

These developments will have a sharp impact on incomes and could sharpen social divisions, perhaps fueling the kind of backlash that saw Poles and Hungarians tire of reform. But in the view of Mr Pebe: "There may be a natural swing to the left, but it will be gradual."

Now it is again the second-biggest party running in the election, offering a left-of-centre alternative to the government. But it is beset by weak

expelled. After the Velvet Revolution in late 1989 a few young reform-minded members either quit politics or joined the new parties that emerged to fill the political vacuum. Mr Vladimir Dlouhy, the present industry minister and a member of the centre-right Civic Democratic Alliance, is a prominent example.

The re-emergence of the CSSD quickly filled the vacuum on the left, says Mr Jifi Pebe, a political analyst at the Open Media Research Institute, causing a further crisis for old-style communism. Prominent in the First Republic from 1918, the CSSD was the second-biggest party in the election that brought the Communists to power in 1948 but was then suppressed.

Now it is again the second-biggest party running in the election, offering a left-of-centre alternative to the government. But it is beset by weak

Slovenia wins high credit ratings

By Kevin Done, East Europe Correspondent

The leading US and European credit rating agencies have given Slovenia, the most developed of the former Yugoslav republics, the highest initial ratings of any of the former Communist economies of central and east Europe.

Standard & Poor's and Moody's of the US, and the European agency IBCA all said yesterday they had placed Slovenia in the "A" category at the same level or slightly above the Czech Republic, previously the most highly rated of the transition economies.

This provides important support for Slovenia's strategy of building an independent presence in the international capital market and will help lower financing costs. It is the first of the former Yugoslavia states to obtain a credit rating, but could be followed by Croatia later this year.

The Republic of Slovenia is planning its maiden issue of around \$200m in the Eurobond market in July. J.P. Morgan will be lead manager.

The ratings come at a crucial moment for Slovenia. It is trying to implement a landmark deal with the commercial banks for its share of the foreign debts of former Yugoslavia, in the face of legal action by Belgrade to try to halt the deal.

IBCA said that despite the uncertainty created by the litigation, the foreign debt agreement had set a model for the other former Yugoslav republics to follow and had been supported by the International Monetary Fund.

Slovenia is the only one of the transition economies to hold "A" category ratings from all three agencies.

S&P said that its rating reflected the country's "track record of responsible and consistent economic management, in particular tight monetary and fiscal policies, which resulted in an impressive and early stabilisation of the economy".

It warned, however, that the rating was constrained by the challenge of further lowering inflation and the need to implement wide-ranging public sector reforms, in particular pensions and healthcare.

It forecast growth of 5-6 per cent in gross domestic product in both 1996 and 1997 led by strong investment in the rapidly expanding private sector, the revival of tourism and the resumption of economic relations with the other states of former Yugoslavia.

S&P assigned the Republic of Slovenia its "A" rating for foreign currency debt and "AA" for local currency debt, while the other two agencies gave ratings one notch lower at "A-" for IBCA and at "A3" for Moody's.

Slovenia, which is rated by S&P and IBCA at the same level as the Czech Republic, is placed ahead by Moody's, which rates the Czech Republic at Baal, one notch lower than Slovenia.

The ratings are independent evaluations and allow investors to compare the creditworthiness of different debt issues from different countries and institutions.

Of the transition countries of central and east Europe only Slovenia and the Czech Republic have received investment grade ratings from all three agencies, signalling only a very modest risk of default.

Slovenia and Poland both have the lowest investment grade rating of "BBB-" from S&P and Moody's, while Hungary has the same rating from IBCA. Other ratings for Poland, Hungary and Romania are all in the non-investment or speculative grade category.

EUROPEAN NEWS DIGEST

Russia expels Estonian envoy

Russia yesterday expelled an Estonian diplomat from Moscow for alleged spying, heightening tensions with its Baltic neighbour and starting another diplomatic row.

Russian officials said the move followed an Estonian request to withdraw one of their diplomats from Tallinn after allegedly indulging in activities "incompatible with their diplomatic status". "In other words, this can be described as retaliation," a Russian foreign ministry official said yesterday.

Earlier this week, the Russian authorities threatened to expel up to nine British diplomats following the arrest of an alleged informer. British embassy officials held further talks in Moscow yesterday to attempt to resolve the stand-off.

Neither side commented on the substance of the talks. But it appears likely the Foreign Ministry will soften calls from the FSB, Russia's counter-intelligence service, to expel up to nine diplomats. The FSB last month arrested a Russian national whom it alleged was passing classified information to British agents and accused him of espionage.

Expressing a personal opinion, Mr Mart Helme, the Estonian ambassador in Moscow, said Russia's security service, the FSB, might be using the "Estonian card" to defuse the row with Britain. John Thornhill, Moscow

Economic gloom besets EU

Economic sentiment within the European Union showed little sign of improvement in April, with consumers still hampered by worries over jobs and the state of their economies, the European Commission said yesterday.

The Commission's monthly economic surveys, one of the most comprehensive barometers of public opinion within the EU, found a slight fall in sentiment in the industrial sector where a modest rise in France was offset by further weakness in Germany.

The Commission's preliminary figures for capacity utilisation in the EU showed a decline of one full point between January and April. There was also a worsening in employment expectations in the construction industry.

Consumers, meanwhile, continued to display a lack of confidence in the so-called "general economic situation" and offered a dim assessment of future employment prospects. The worsening in the jobs outlook was most noticeable in Germany, France and Greece. Reuters, Brussels

Italy's farmers in policy protest

Tens of thousands of farmers from north and central Italy gathered in Milan's cathedral square yesterday to protest against what they see as government indifference to the plight of agriculture.

The three main federations representing owners and workers said some 100,000 people took part in the march and rally, making it one of the biggest protests by farmers in recent times. Other demonstrations are planned for southern Italy and Rome.

The farmers called on the next government, which should be formed later this month, to institute a more concerned policy of agricultural development.

Yesterday's demonstration was also marked by deep concern about the UK scare over "mad cow" disease. Although the disease has not been detected in Italian cattle and the import of British beef products is blocked, the price and consumption of meat products have fallen.

Farmers claim the government should have fought harder in Brussels to win compensation for Italian meat producers. "Healthy cows, mad government," was the message of one placard. Andrea Hill, Milan

Rome trial opens on SS atrocity

The trial of former German Nazi SS captain Erich Priebke, pictured above being escorted into court, opened in Rome yesterday 52 years after one of the worst atrocities committed in Italy during the second world war.

Priebke, 62, is accused of taking part in the Ardeatine Caves massacre of 335 Italians in March 1944. He faces life imprisonment if convicted. Priebke's trial follows his extradition from Argentina last November. He is charged with participating with other soldiers in multiple murder aggravated by cruelty. He is expected to plead that he was only carrying out orders. The massacre was carried out in reprisal for an ambush by the Italian resistance in which 33 German soldiers were killed and 53 wounded.

At a preliminary hearing in April, Priebke blamed the Italian partisans who set off a bomb in Rome on March 23, 1944, as an SS troop detachment was passing. He said the order to retaliate had come from Hitler himself and if he had not obeyed he would have been killed. Agencies, Rome

Slovakia bank sell-off postponed

The privatisation of Slovakia's main banks, originally planned for the end of February this year, has been indefinitely postponed. Mr Vladimir Meciar, the prime minister, said yesterday. "The original concept had been clear until the end of February, but then we had to postpone some things and then we began a re-evaluation process," Mr Meciar said.

Last January Mr Meciar announced that Slovakia's largest banks Slovenska Sporitelna, VUB and IRR, as well as insurer Slovenska Poistovna, would be privatised by the end of February. But it had been held up due to negotiations on Slovak assets in the Czech Republic. Reuters, Bratislava

German current account surplus

Germany had a current account surplus of DM700m (\$480.5m) in February, compared with a deficit of DM3.5m in January and a deficit of DM2.3bn a year earlier, the Federal Statistics Office said.

Germany's trade surplus grew to DM8.9bn in February from DM5.2bn in the previous month and DM5.8bn in February 1995. In the two months to February, Germany had a current account deficit of DM3.1bn, narrower than a deficit of DM3.8bn a year earlier. Germany's trade surplus in the two-month period totalled DM14.4bn, narrower than DM14.5bn a year earlier. The balance of invisible trade in February showed a deficit of DM1.8bn, down from DM4.4bn in January and compared with DM2.4bn a year earlier. AFK, Wiesbaden

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High German levies lead Michael Jackson to call off his visit

By Wolfgang Münchau in Frankfurt

Pop star Michael Jackson has pulled out of the German leg of his forthcoming European tour because of the level of tax the government levies on box office receipts.

Special tax rules for foreigners in the 1996 tax law would have forced Mr Jackson to pay more in tax than he would have received in earnings.

It is one of the toughest tax regimes ever introduced in Germany, and hears testimony to the finance ministry's considerable skills in inventing new taxes and changing existing ones.

Tax strikes sour note with singer

year, when the government introduced the law.

Tax experts representing the music and entertainment industry have been pressing Bonn to soften the new rules.

Mr Richard Rees-Pulley, of accountants Touche Ross based in London, even claimed the new tax was to breach of the Treaty of Rome. "The Germans are behaving unconstitutionally," he said.

"The music industry in this country feels that Germany is the toughest on this issue and the worst behaved of all." He said the new tax regime was rigid and unrealistic. The tax was raised on a nominal profit not the real one.

"This is not some wealthy musician whingeing. The likelihood is that less and less people will tour in Germany. It

causes massive cash flow problems.

For baby bands trying to break in, the profits are very slender. They could end up making a loss."

Under the new rules, Germany has not only increased the withholding tax on box office receipts, but has also prevented artists from offsetting production expenses against tax, allowing only a lump sum.

Since Michael Jackson's production costs vastly exceed the lump sum allowance provided for by the law, he would have ended up paying more in tax than his net take. Many foreign performers have complained that this provision effectively discriminates against foreign performers who have above-average production costs.

Separately, Germany has increased the withholding tax rate on box office receipts from 15 per cent to 25 per cent.

On top of that, artists have to pay turnover tax and the unpopular solidarity surcharge tax.

The final tax bill on box office comes to between 29 per cent and 31 per cent. The government has hinted that it might be ready to compromise on the new law.

The move has so failed to spark a public outcry, since most Germans are more upset about their own tax bill than Michael Jackson's. But the episode is the latest reminder of Germany's high tax rates. The car industry has recently cried foul after the government increased tax on luxury company cars, prompting a 20 per cent slump in sales.

Handwritten scribble at the bottom of the page.

Italian party leaders end short truce

By Robert Graham in Rome

The rightwing alliance defeated in last month's general elections last night closed the door on a deal to share out some of the main institutional jobs in Italy with the winning centre-left alliance.

The decision followed two days of intense negotiations in advance of the formal opening today of Italy's 13th post-war parliament. The main post affected is that of speaker of the senate, offered to the rightwing alliance headed by former prime minister Silvio Berlusconi.

Failing last-minute negotiations to patch up a compromise, the conflict between the two alliances threatens to cast a cloud over the stability of a new legislature where the government will have a narrow majority.

It also makes it unlikely the opposition will be willing to back the bars budgetary proposals necessary to bring Italy's public finances into line with the criteria of the Maastricht treaty.

In the wake of the April 21 elections, Mr Berlusconi and his colleagues indicated their willingness to establish a harmonious relationship with the governing Olive Tree coalition. But Mr Berlusconi came under attack from hardliners in his Forza Italia movement and from the rightwing National Alliance (AN), who argued they must behave as a tough opposition and cut no deals.

As a result Mr Berlusconi proposed over the weekend that Mr Francesco Cossiga, the former head of state, life senator and one-time senate leader be their candidate for senate speaker. Mr Cossiga is regarded with suspicion by the left for his controversial role as a former interior minister and while head of state. Thus Mr Cossiga's candidature put the Olive Tree on the spot and after very little discussion he was declared unacceptable.

But in rejecting Mr Cossiga,

the centre-left placed themselves in the position of being seen to dictate the terms.

It also allowed the right, in the name of fair play, to voice their objections to the Olive Tree's candidate for speaker of the lower house - Mr Luciano Violante, a former magistrate linked to the Communist party, ex-head of the anti-mafia commission and deputy speaker in the last parliament.

Mr Violante, they claimed, was too political a figure, and indeed had been one of the principal persecutors of Mr Cossiga when head of state.

To get round these objections, the Olive Tree suggested that Mr Carlo Scognamiglio, appointed as senate speaker in 1994 by Mr Berlusconi and his allies, retain the job. But having publicly backed Mr Cossiga, last night Mr Berlusconi seemed unwilling to back down. This leaves the centre-left with little option but to go ahead with their own appointments.

Anti-mafia investigators in Sicily yesterday froze \$640m of assets, including 130 two-family homes and 50 apartments, in a crackdown on suspected laundered drug wealth, AP reports from Palermo.

Other assets frozen included 12 offices, eight warehouses, land and 27 bankbooks, whose deposits were not immediately disclosed. Three people were arrested.

The Italian news agency Ansa said prosecutors suspected the wealth was acquired with laundered profits from drug trafficking and other illegal activities of the Cosa Nostra.

The agency said the authorities had been put on the trail of the alleged laundered money while investigating threats made against a prison chaplain in Terminal Imerese, a Palermo suburb. The chaplain had wanted to establish a rehabilitation community for drug addicts in a residential area whose construction was allegedly linked to the Mafia.



German police get ready to confront anti-nuclear protesters as a shipment of nuclear waste arrives at the Gorleben plant

CLASHES AT GERMAN NUCLEAR STORAGE PLANT

By Wolfgang Münchau in Frankfurt

A 40-tonne shipment of French-processed nuclear waste arrived at the Gorleben nuclear storage plant in northern Germany yesterday amid some of the most violent anti-nuclear demonstrations ever witnessed in Germany.

Flanked by 15,000 policemen and armoured cars, the shipment was brought to a standstill by a series of clashes that left several demonstrators and police seriously injured. Protesters threw ball bearings at police and fired flare pistols, while police used batons and water cannons. About 30 demonstrators were arrested.

The police lined country lanes near the medium-term storage depot in Gorleben, 75 miles east of Hanover, and used water

cannon, teargas and clubs against protesters as the shipment, which had arrive by rail from France, covered the last 18km of its journey by road.

Police said the scene at Gorleben resembled a "civil war", adding that the situation was on the brink of threatening the internal security of the country. Politicians from all political parties joined to condemn the violence.

The demonstrations surrounding the shipment have reopened old disputes about Germany's nuclear policies and about policing. The shipment is the first of around 110 taking nuclear waste and fuel back to German reactors over the next eight years.

Senior members of the ruling coalition calling for a clampdown on violent demonstrations and accused the

opposition Greens, a long-standing opponent of the government's nuclear policies, of supporting the violence and poisoning the political climate.

Ms Angela Merkel, the environment minister, said there was "no alternative" to the shipment, since Germany was bound to it by international law.

Mr Guido Westerwelle, general secretary of the Free Democrats, the junior coalition partner, said that police should take a tougher line against demonstrators. "Germany is not governed by the law of the jungle," he said.

The Greens condemned the transport as a "provocation" and described police action as "brutally excessive". Both the opposition Social Democrats and the Greens called for an end to the shipments and a phasing-out of nuclear power.

Turkish MPs set to embarrass ex-PM with new corruption claim

Çiller faces second probe

By John Barham in Ankara

Turkish MPs are expected to vote overwhelmingly today to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Çiller, the former prime minister.

But MPs from her True Path party and the rival conservative Motherland party say the vote will not necessarily lead to the collapse of their fractious two-month-old coalition government, even though many Motherland MPs are again expected to vote against Mrs Çiller.

Mr Sedat Aloglu, a True Path MP, said Motherland MPs were playing "a dirty political game" to unseat Mrs Çiller to enable their leader, Mr Mesut Yilmaz, to take control of the centre right, currently divided between the two parties.

Mr Korkut Ozal, a senior Motherland MP, said: "I do not think there will be a government crisis soon. The Çiller issue will be accepted by about 300-350 votes, but her people will not resign from the government. They will make the calculation and conclude that it is better to continue."

True Path members agree, because Mrs Çiller is to take over as prime minister in January.

They also fear Motherland could form a coalition with the Islamist opposition Refah party

or call early elections. Refah, which narrowly failed to clinch a coalition agreement with Motherland following last December's elections, is tacking a series of investigations hoping their findings will bring down the government.

Today's vote calls for a committee to investigate claims that Mrs Çiller illegally interfered in the privatisation of Tofas, a car maker.

Two weeks ago, MPs - including 29 Motherland members - voted 232-179 in favour of a Refah motion to form a committee to investigate accusations that Mrs Çiller intervened in tenders by the state-owned power company Tedas.

If parliament approves, a special committee will have up to four months to investigate Refah's claims.

Parliament would then vote on whether the committee's findings merited sending Mrs Çiller for trial before the high court. If it does, she could be prevented from taking over as prime minister in January, as required by True Path's power-sharing agreement with Motherland.

Commentators complain that strife in Ankara is preventing urgent action to tackle Turkey's deteriorating economy, with inflation running at 80 per cent a year and interest payments on the ballooning domestic debt taking up half the budget.

German MPs to debate shop hours reform

By Michael Lindemann in Bonn

Germany's lower house of parliament, the Bundestag, will today finally consider liberalising the country's shop opening hours, which have become a byword for the rigidities of Europe's largest economy.

Pressure for reform of shopping hours has been growing for years, and the current breakthrough is a symbol of the decline of post-war consensus politics in Germany where everything

has been done in agreement with the trade unions.

It may also be symbolic of Chancellor Helmut Kohl's determination to force through more deregulation at a time when he faces almost unprecedented protests from a number of social lobbies.

The Ifo economics institute has said reform could create up to 50,000 jobs at a time of record unemployment. Nevertheless, Mr Kohl has had to impose his will on the majority of his

party to get the law this far.

The government unveiled proposals last November, but delayed bringing them to parliament for fear of their impact on Mr Kohl's Christian Democrats in the March state elections.

The Bundestag will today give a first reading to the legislation, which is expected to be passed before the summer recess in July.

The majority of the opposition Social Democrats, backed by the trade unions, oppose any liberalisation of

shopping hours, arguing that many of corner shops will be unable to afford the extra staff needed to stay open longer. They believe any jobs created will be part-time and will not come with the full social benefits which the unions are fighting to maintain.

Recent polls indicate most Germans want to be able to shop longer and supermarkets insist that extended hours are needed to boost trade.

Leading politicians from the government last night appeared to have

agreed a compromise which would allow shops to remain open, as planned, until 8pm on weekdays. It would allow the federal states to close shops anytime between 2pm and 4pm on Saturdays, not 6pm as proposed.

Plans for deregulating mail delivery services were presented yesterday by Mr Wolfgang Boetsch, the post minister. Renter reports. They would abolish the century-old post monopoly at the end of 2002 by gradually introducing competition from 1998.

NEWS: ASIA-PACIFIC

Investors ponder BJP's election lead

By Mark Nicholson
in New Delhi

India's 48-hour election results telethon, which began yesterday, was likely to be raising more questions than answers for the investors, foreign and domestic, who have relished the Congress government's four and a half years of economic reforms.

The future custodian of economic policy remained unclear as early voting trends emerged. In 203 of 537 seats being counted, Congress led in 82, but faced the loss of 58 seats, the Hindu nationalist Bharatiya Janata party led in 44, a gain of seven, while the social

justice Janata Dal was 18 seats ahead of its tally in 1991. Independents and regional parties were also showing gains.

Congress appeared set to win no more than 150 seats. The BJP seemed likely to become the biggest single party, though voting trends had not yet emerged from its northern heartland.

However, the final tally of seats, which will determine the shape of an apparently inevitable coalition government, may not be clear until tomorrow. But if the Bombay stock market is any barometer, investors appeared sanguine about the likely outcome. The benchmark BSE-30 index

closed 56 points up at 3,769. Brokers said the market rallied strongly from a 50-point dip on jitters caused by Tuesday's exit poll showing Congress heading for an historically poor performance. "Then when they thought about things," says Mr Pravin Shah, Morgan Stanley's head of research, "things did not look so bad."

The reflection was that should the BJP dominate parliament and somehow form a government this need not deter investors. "The BJP in India is regarded as a pro-industry, pro-trade party," says Mr Jyoti Jayapura, Merrill Lynch analyst. "Foreigners may have

some reservations, but these would likely be dispelled by a BJP in power."

The BJP portrays itself as India's original party of free trade and liberalisation; core supporters are urban, upper caste Hindus who have gained most from reforms. While its "economic nationalism" would stall opening of consumer goods industries to foreigners, it says it welcomes foreign capital into infrastructure and high technology sectors. BJP-led state governments have generally, after the hiccup of the off-on Enron power project in Maharashtra, striven to attract foreign investors. Fundists, however, believe

the BJP's religion-based appeal will deter the main secular parties and leave it short of a majority. A coalition embracing Congress, Janata Dal, ex-Congress factions and India's communists is deemed likelier.

India's markets and investors have expected some such alignment for months, and viewed the prospect benignly. Congress was the initiator of reforms, went the argument, while state JD and communist governments embraced them, becoming competitive courtiers of private investment.

But this optimism would dim if Congress performs as poorly as polls predict. A Congress with around 140 seats might

not dominate any resulting coalition, and may win political partners only at the price of shedding Mr F V Narasimha Rao, prime minister - and, perhaps, Mr Manmohan Singh, his internationally admired finance minister. Moreover, a coalition where leftist and Janata Dal MPs outnumbered Congress could prove quarrelsome and indecisive.

A weak government depending on parties representing the poor and lower castes would resist subsidy cuts and dislike privatisation, might threaten India's already knife-edge fiscal discipline and perhaps undermine healthy corporate and economic fundamentals.

ASIA-PACIFIC NEWS DIGEST

Nissan recalls over 1m cars

Nissan Motor is to recall more than 1m cars to fix potentially dangerous defects, in an embarrassing loss of face for Japan's number two automotive group. Nissan said yesterday it had begun a recall of 1.05m cars in Japan to fix defective seat belts and battery wires, with a further 70,000 affected in the US. The recall is the largest in Japan since the transport ministry began a compulsory system in 1989.

The previous record was set by Toyota Motor in 1970, when it recalled 770,000 cars. Nissan's recall will cover 30 models in Japan, including the Cedric, Bluebird and Sunny, sold between October 1989 and March 1994, the ministry said.

A Nissan official said the US vehicles affected were its Infiniti model made in Japan between July 1992 and March 1994 and exported. The cost was estimated at more than ¥6bn (\$57m). *AFP, Tokyo*

HK acts on radio programmes

Hong Kong plans to scrap "unnecessary powers" to prohibit radio programmes as part of its review of broadcasting regulations, it said yesterday. The move, which follows a similar freedom of expression, is in line with a policy of securing freedom as Hong Kong prepares to return to Chinese sovereignty next year.

Under the proposal, to be submitted to Hong Kong's legislature later this month, an ordinance which empowers the Broadcasting Authority to bar radio broadcasts will be repealed. A provision allowing the territory's courts to prohibit certain programmes, on application by the chief secretary, will be retained. Such programmes are those that may incite hatred, result in a general breakdown of law and order, or damage public health or morals. *John Ridding, Hong Kong*

Australia casino bidding move

The Australian Senate yesterday launched an inquiry into the licence tendering process for the lucrative but controversial A\$1.3bn (US\$1,036bn) Melbourne casino. The inquiry follows allegations that Crown Casino, the winning bidder, had prior knowledge of other rival bids before submitting its own final offer. Among those who have maintained the tendering process was affected is TIT Sheraton, the US group, which lost out to Crown.

Crown, an Australian listed company, has denied any impropriety. The controversy has been fuelled by the fact that one of Crown's directors is a businessman with links with political figures. An internal treasury minute said to disclose information from the bids also suggested knowledge of the rival offers was circulating. *Nikki Tazi, Sydney*

Pakistani bus bomb kills six

A bomb yesterday ripped through a bus in the Pakistani industrial town of Sheikhupura, near Lahore, killing at least six people and wounding 40. The blast intensified fears over public safety in the Punjab, Pakistan's most populous province, where nearly 50 have been killed and almost 100 wounded in explosions in the past month.

Premier Benazir Bhutto has accused India of involvement; the accusations have been denied. But analysts believe the bombings follow Islamabad's failure to find a solution to political troubles in Karachi. A security clampdown in Karachi is thought to have forced those involved in the attacks to move away from the area. *Farhan Bokhari, Lahore*

Japan's banks urged to act on loans scandal

By Gerard Baker in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday called on Japan's banks to shoulder a greater burden of the costs of liquidating the country's bankrupt housing loan companies.

In the clearest sign yet that the government is planning a radical change to its plans to spend public money on the liquidation, Mr Hashimoto told a parliamentary committee hearing that the banks that founded the companies should pay more.

Mr Hashimoto said he hoped the companies would make decisions on the issue "on their own, taking account of the Diet (parliamentary) discussions".

In December the government announced its intention to contribute ¥685bn (\$6.5bn) towards the cost of the liquidation of the companies, known as *jusen*. But public hostility and a concerted campaign by the parliamentary opposition have come close to forcing the cabinet to drop the plan.

The finance ministry is understood to be drafting an alternative that would cut sharply the proportion of the

¥6,300bn of total costs to be borne by the government in the liquidation and raise the burden on the founding banks.

Last month, government and opposition parties agreed a temporary truce in their battle over the issue, pending passage of the 1996 budget. The budget bill is expected to become law today and attention will then focus once again on how to settle the *jusen* problem before the end of the parliamentary session next month.

Emiko Terazono adds: Despite improving profitability of Japanese banks' core operations, Moody's, the US credit rating agency, has offered a pessimistic outlook on the recovery of the financial system.

The agency said many leading Japanese banks held risky assets not yet publicly reported as problem loans and they would not be able to overcome asset quality problems before the end of the century.

Investors and industry analysts have applauded the aggressive write-offs, but the agency believes credit risks of some banks remain, due to uncertainty over the future course of core profitability, hidden profits on equity holdings and potential bad loans.

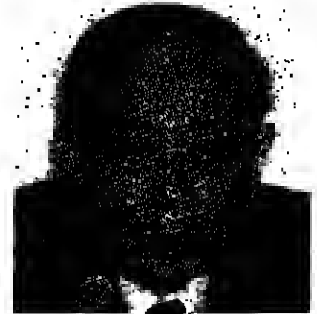
A cull of profits and presidents

Solemn rituals are under way in the boardrooms of Japan's leading banks. Like most rituals, the significance lies more in symbolism than in substance. And like all rituals, even that symbolism should probably not be taken too seriously by onlookers.

One by one, the world's biggest banks are getting rid of their presidents. On Tuesday Mitsui Trust, the country's third largest trust bank, became the latest to announce the early departure of its top executive, Mr Ken Fujii. The move brings to three the number of high-profile resignations, following similar moves in the last month at two other giants, Fuji Bank and Industrial Bank of Japan. The list is almost certain to grow.

The ostensible reason is a sudden desire on the part of banks' managements for a reshuffle of top personnel. Bank spokesmen claim these changes are long overdue. But the real motivation for bankers to start paying the price of the bad loan fiasco. And quieter, more insistent, voices at the finance ministry have also been suggesting that such resignations might make sense.

There is a careful calculation in this. The government is trying to force on a hostile public and parliament a plan to spend ¥685bn of taxpayers' money on liquidation of the housing loan companies. These companies were founded by the banks in



Yasuo Matsushita, now BoJ governor, presided over his commercial bank's part in the 'bubble economy'

the 1970s and are now virtually insolvent, with over two-thirds of their total lending of ¥13,000bn officially acknowledged to be non-performing.

Since banks are held largely responsible for the mess, the public wants them to pay more towards the liquidation. In an attempt to deflect this hostility away from their proposals, finance ministry officials and politicians are advising bankers to fall on their swords.

In February Mr Wataru Kubo, finance minister, told bankers they should accept "responsibility" for the losses, a euphemism for resignation.

Though they may be walking the plank, the culprits are doing so in the knowledge that there is a comfortable life raft waiting for them at the end of it. All the departing presidents will go on immediately to another well remunerated job in the company - usually as either chairman or adviser.

By concentrating on the present heads of banks and those to be held responsible for the banking failures of the last few years, the bureaucrats and banks themselves have nabbed only half the culprits. Those who were actually in charge of banks when the problems arose are understandably thought to carry an even greater responsibility than the current bosses. But extending the purge might yield some victims the authorities will not be anxious to push too hard.

Ex-commercial bankers can resurface in some embarrassingly elevated places in Japan. Sakura Bank, for instance, one of the six largest commercial banks, is one plagued by bad loans. It was especially reckless in lending to the property sector in the late 1980s, including loans to the housing loan companies. Last year it wrote off about ¥950bn in bad loans, the largest of any bank.

At the height of this speculative frenzy the president of what became Sakura Bank was a Mr Yasuo Matsushita, a former finance ministry official, who left the bank in 1994. Between 1987 and 1990, he presided over his bank's part in the rapid inflation of the "bubble economy". In 1990 he moved on to the chairmanship, retaining an influential role.

Mr Matsushita is now governor of the Bank of Japan, the highest ranking monetary policymaking official in the country. There have so far been few calls for him to follow the example of his successors.

Small wonder that at least one of the bank presidents forced out in the last month has been overheard muttering about the need for financial justice for all. He and others will watch to see where the frontiers of that justice lie.

Gerard Baker

NEWS: INTERNATIONAL

Israel blasts 'absurd' UN report on Qana

By Julian Ozarine in Jerusalem

Israel yesterday blasted a United Nations report which questioned whether Israel's bombardment of a UN base in Lebanon last month, killing more than 100 civilians, was an accident.

In Washington Mr Ehud Barak, Israeli foreign minister, who reportedly exchanged tense words with Mr Boutros Boutros Ghali, UN secretary general, said the UN conclusions were "absurd".

Mr Barak's comments came after a senior UN military officer who wrote the report on the April 19 shelling of the UN base at Qana said it was unlikely Israel bombed the base through technical or procedural errors. Although the report stopped short of accusing Israel of deliberately shelling the UN post, it scorned Israel's explanation that it was the result of wrong labelling on a map.

In Jerusalem, Israeli officials said the UN investigation incident ignored evidence presented by Israel to support their claim that the event was a mistake. Mr Uri Dromi, government spokesman, said the UN had refused to consider footage of Israeli reconnaissance which showed that it was impossible to detect the 800 civilians who

had taken shelter at the UN base from Israel's intensive bombardment of Lebanese villages.

Mr Dromi suggested the UN was covering for pro-Iranian guerrillas in Lebanon who had fired Katyusha rockets from a position close to the UN base. "Unfortunately, the UN chose to ignore that, maybe because the UN has tough questions to answer about how come... those Hizbollah terrorists felt so at home in the compound of the UN," he said.

"The US, Israel's closest ally, has backed the country's version of events and accused the UN of making 'unjustified conclusions'."

But Israel's explanation of what Arab states have called "a massacre of innocents" has failed to convince the region's leaders.

On Tuesday Syria called for Israeli leaders to be put on trial as war criminals for what it termed the deliberate shelling of a safe haven for civilians fleeing Israel's blitz.

Syria has also attacked the US for supporting Israel and trying to suppress the UN report.

Yesterday Damascus also accused the US and Israel of obstructing the work of a committee assigned to monitor the ceasefire.

Nigerian clean-up offered by Shell

By David Lascelles in London and Paul Adams in Lagos

Shell Nigeria has offered to clean up all oil spills in Ogoniland and re-start local development projects in the troubled Ogoni territory as a first step toward an agreement with local leaders which would allow its staff to return safely to the region.

Shell, the largest foreign oil company in Nigeria, closed its operations in Ogoni three years ago after threats to its staff and sabotage of facilities

by sections of the Ogoni movement. Mosop, which accused Shell of polluting the environment.

Mr Brian Anderson, Shell Nigeria's managing director, said yesterday, "These proposals are offered in the spirit of reconciliation. All we need to start the process is the assurance of all Ogoni communities that our staff can work safely in Ogoniland."

This is Shell's most serious public bid to end the deadlock with the Ogoni community.

The 'Mecca of constitutions' leaves markets without faith, writes Roger Matthews

Rands and sentiment in the new S Africa

It was almost obligatory to be an African in South Africa yesterday. The cause was the adoption of a new constitution, achieved after two years of negotiations which concluded only hours before the final vote, as the minority parties predictably bowed to the immense political weight of the African National Congress.

Mr Thabo Mbeki, deputy president and heir apparent to Nelson Mandela, set the tone during the final speeches in the constitutional assembly. Eight times he declared he was an African. "I owe my being to the hills and the valleys, the mountains and the glades, the rivers, the deserts, the trees, the flowers, the seas and the ever-changing seasons that define the face of our native land," he said. "I know that none dare challenge me when I say - I am an African."

"The constitution whose adoption we celebrate constitutes an unequivocal statement that we refuse to accept that our Africanity shall be defined by our race, colour, gender or historical origins."

After that, everyone was an African, even if they were not very happy about the constitution they were about to adopt. "I am also an African," said Mr F de Klerk, deputy president and leader of the National party, "and part of a modern, developed country that can compare with the best in the world."

But its new constitution was one dominated by the will of the majority party, and "rang the death knell of multi-party participation in decision making at executive level", he said.

Mr de Klerk said that while his party would vote for the constitution, because a No could irreparably damage the interests of the nation, it did so with serious reservations, in particular the National party was unhappy about the provisions for property rights, the failure to enshrine the right of employers to lock out strikers, and the absence of the death penalty.

He added that the federal council of his party would meet next week to consider its position, a statement seized on by the currency markets as

a sign that he might withdraw from the government of national unity. The rand promptly dropped further against the dollar.

Mr Tony Leon's protestation that he, too, was an African, by birth and by choice, was greeted by derisive hoots from ANC members. The leader of the small Democratic party had fought more tenaciously than anyone to ensure that the workers' right to strike was balanced by the employers' right to shut its doors to striking employees. It was an issue he said he would pursue through the constitutional court. "This constitution gives the unions the right to make or break future governments," said Mr Leon.

General Constand Viljoen, former army commander and leader of the rightwing Freedom Front, said that, despite being an African, and seeing many positive aspects in the constitution, his party would abstain because there was too little protection for minority rights.

It was probably inevitable that the final speeches should reflect the tense last-minute negotiations that lasted

into the early hours of yesterday. But, as Mr Cyril Ramaphosa, the chairman of the constitutional assembly said, it was "an immense achievement".

The 137-page document, declared Mr Ramaphosa, was the Mecca of constitutions and people would travel far to see how democracy had been enshrined in South Africa. Sceptics put it differently: "It is a Rolls Royce of a document welded on to the body of a Morris Minor."

At the centre of the constitution is a bill of rights which covers a vast range of topics from the right of a child to a name, to the right of everyone to education, housing, food, water and security. It covers political rights, freedom of expression, privacy, religion, environment, human dignity and freedom of association.

Elsewhere the constitution defines the relationship between central government and the provinces, the powers of parliament, the president, the national executive, the courts, public administration, security services and the role of traditional tribal leaders. To have achieved a consensus,

albeit sometimes qualified, on such a range of issues was described by President Mandela as "our own humble contribution to democracy and the culture of human rights world wide: it is our pledge to humanity that nothing will steer us from this cause".

But giving economic substance to the fundamental rights to which the country yesterday became committed will be an altogether bigger challenge. Mr Ramaphosa, who will soon leave parliament to concentrate on a business career, said the new constitution was also good for investors and good for the rand.

Mr Trevor Manuel, the new finance minister, seemed to agree, judging by the enthusiasm with which he joined in the singing, dancing and rhythmic hand-clapping that greeted the final vote. However, by the time he returned to his office, the markets appeared to have been more influenced by words of Mr de Klerk than by the promises of the new constitution - yet another hard lesson for the optimistic citizens of Africa. *Editorial Comment, Page 15*

Memories of dictators cast shadow over Uganda poll

Fear of a bloody past holds key to electoral success, writes Michela Wrong

Mr David Mukasa knows what it means to live in fear. Under former dictators Idi Amin and Milton Obote, his wife was beheaded by marauding soldiers, his estates destroyed and he was repeatedly tortured.

So when this elderly Baganda, who now rears poultry on the shores of Lake Victoria, votes today in Uganda's first elections for 15 years, he will be opting for President Yoweri Museveni and the promise of "no change". He has heard that Dr Paul Ssemogerere, the opposition candidate, is planning to bring Mr Obote back. "The very idea sends shivers down my spine."

From his exile in Zambia, the 75-year-old Mr Obote has bawled this election campaign, a bogeyman used by the incumbent to convince voters not already persuaded by his 10-year record of political stability and economic progress.

In what many Ugandans regard as a cheap tactic, the president's team has sought to bolster its arguments against multi-partyism and undermine an alliance between Mr Ssemogerere's Democratic Party (DP) and the Uganda People's Congress (UPC) by suggesting it would not only bring Mr Obote, the UPC leader, back but appoint him "political commissar" in a new government.

Directly at stake are the votes of 2.5m Baganda, more than a quarter of the electorate. They were worst hit by Mr Obote, who abolished the Baganda kingdom and later launched a terrifying crackdown on areas sheltering Mr Museveni's rebel army. Normally, Baganda support goes to the federalist DP. But Mr Ssemogerere's alliance with the UPC has split this crucial constituency down the middle, analysts say.

"Ssemogerere's popularity

has been marred by this alliance," says Professor Apolo Nsubambi, a Baganda who teaches politics at Makerere University. "He is flirting with forces and making deals with people he cannot control."

The president can be accused of many things. His controversial "no-party" political system - which allows candidates to campaign only as individuals - has crippled the opposition. His all-embracing "movement" system, meant to transcend the tribal factionalism he blames for Uganda's woes, hides the dominance of an elite from the west of the country. He has neglected the underdeveloped north and failed to tackle a rebel movement terrorising that region.

But for millions of Ugandans, not just the Baganda, the Museveni decade has been a period of unprecedented stability, when for the first time they could build, farm, trade

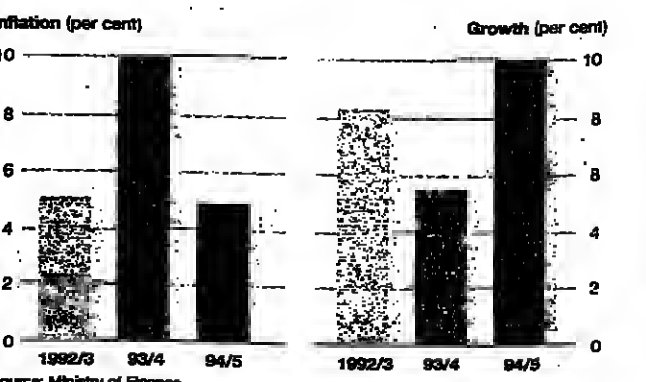
and plan the future.

"In the old days children didn't bother going to school, no one did business. You were always looking over your shoulder to see who was coming," says Mr Mukasa.

The figures bear this out. A once devastated economy is now enjoying the highest growth rate in Africa, with gross domestic product expected to rise by 6 per cent this year after growing by 10 per cent in 1995. Regarded as a model reformer by the World Bank and International Monetary Fund, Mr Museveni has lured a yearly \$800m in aid to Uganda. Foreign investors are being drawn by a combination of low inflation, free exchange controls and a stable currency.

An opposition victory could jeopardise these achievements. Analysts see the UPC-DP alliance swiftly disintegrating amid wrangling over posts and issues. Most alarmingly, a

Uganda



question mark hangs over whether the army's western leadership would accept the results. A new era of uncertainty in Uganda, the linchpin in a region shaken by violence in Rwanda, Burundi and Zaire, is threatened by the whole of East Africa. Foreign investment has already gone on hold during the election months.

Few believe this scenario will unfold. Although the protest vote has been growing and the 85 per cent walkover predicted by the presidential team looks unlikely, most observers expect a 60 per cent Museveni win. Parliamentary polls due in June are expected to give

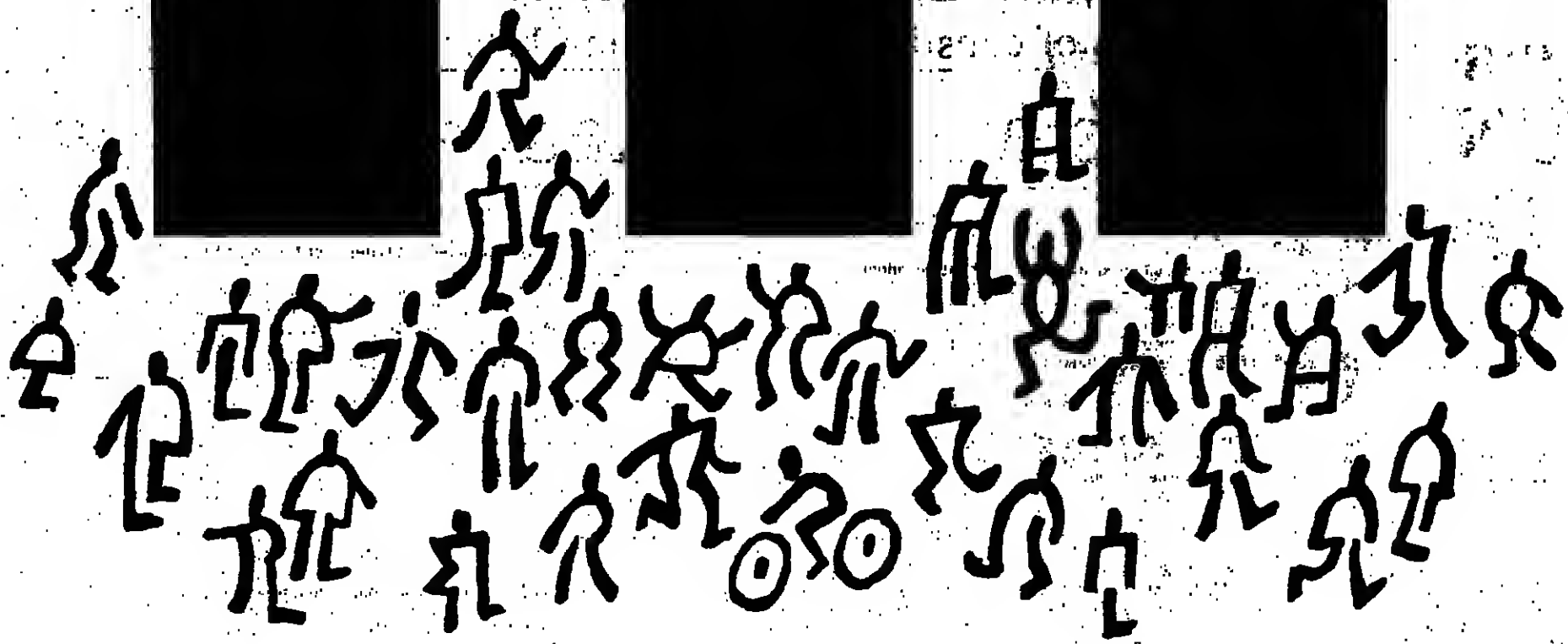
the opposition a stronger role in the running of the country and the democratic process now looks unstoppable with true multi-partyism inevitable. Should Mr Museveni, who insists his "movement" system has another 15 years of life, apply the brakes, he will find foreign funds trying up.

"Museveni will eventually have to make a decision on multi-partyism or donor support will gradually erode," says Mr Michael Southwick, US ambassador. "With that will go confidence and you don't get investment without confidence. They have to get on board."

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S Africa

Shell protests at Manila gas plan

By Edward Luce in Manila

Shell Philippines Exploration, joint controller of the Philippines' largest natural gas field, yesterday protested to the Manila government over plans to allow power producers to import liquefied natural gas.

The Anglo-Dutch company, which is in partnership with Occidental Philippines (Oxy) of the US to exploit the 12,000 cubic metres Malampaya gas field off the Philippine coast, said Manila's decision undermined the country's drive towards self-reliance in energy.

The joint venture, which has agreed to supply LNG for 3,000MW of power a year over 30 years to the Philippine power sector, said the government had given power producers the green light to import LNG for 1,500MW a year.

"Importing LNG is not only inconsistent with the government's vision but will increase the Philippines' own dependence on fuel imports," said Mr Dre Boon, vice-president of Shell Exploration (world wide), yesterday. "This will deprive the government of substantial revenues which would be generated from its share of indigenous gas reserves."

First Gas Holdings, a joint venture between British Gas and a local group which received permission to supply its 900MW plant in the Philippines with LNG imports, said protracted negotiations between the Shell-Oxy group and the government had pushed the Malampaya project back 12 months.

The Philippine government, which is weaning the local power sector off imported oil and coal on to indigenous power sources such as gas and geothermal energy, has said demand for gas will reach 4,300MW a year by 2002 - well in excess of Malampaya's capacity.

This is disputed by Shell and Oxy.

Vietnam puts telecom deals on hold

By Jeremy Grant in Hanoi

Four telecommunications contracts, amounting to about \$1.4bn, have fallen foul of Vietnam's revenue forecasts and hesitancy among policy-makers over allowing foreigners into the sector.

The delay in the contracts, which were expected to be awarded last month, have led to extreme frustration at the four companies involved. "It's very disconcerting having to manage your expectations beyond these new dates," said one official.

Telstra of Australia, Cable

and Wireless of Britain, NTT International of Japan and France Télécom have spent the last year negotiating with Vietnam Posts and Telecommunications (VNPT), the state telecommunications monopoly, for contracts to install and operate land lines in Hanoi and Ho Chi Minh City. Mr Nguyen Ngo Hong, director of VNPT's information centre, said it was unlikely any contracts would be awarded soon.

The work is part of ambitious plans by Hanoi to provide five phone lines per 100 people by 2000, compare with one line per 100 people now. It

would be the first significant investment by foreigners to Vietnam's telecoms.

The contracts under discussion involved C&W and NTT International sharing installation of about 400,000 lines in the capital, with Telstra and France Télécom splitting the job of installing 800,000 lines in Ho Chi Minh City.

The four would then operate the networks in conjunction with VNPT, sharing call revenue roughly equally over about 15 years.

But the negotiations have been dogged by doubts among some Vietnamese policy-makers

about the wisdom of letting foreigners into a sector seen as important to national security. One direct result of this is that Hanoi does not allow foreign operators to sign equity joint ventures, insisting instead on a looser "business co-operation contract".

The companies say this formula is more risky to finance and have sought guarantees to compensate for any disruption to internal rates of return if revenue forecasts do not match actual revenue.

In particular, the foreign investors are thought to have rejected a business plan put

forward by VNPT, which includes a revenue forecast based on current revenue per line, rather than on a sliding scale taking into account an increasing number of lines.

In addition, VNPT is understood to be keen to settle on a uniform rate of return for all four investors, despite the fact that the level of investment planned by each is different.

Officials at two of the four companies said some agreement was possible by the end of May but the issue could drag on beyond the Communist party congress, scheduled for the end of June.

Smokers on the midnight prowls in Bucharest

By Virginia Marsh, recently in Bucharest

New customs regulations to clamp down on smuggling are forcing Romanians, among Europe's heaviest smokers, to buy western cigarettes in the middle of the night.

In the last week, Marlboro and Kent, among the western brands with up to 30 per cent of the local market, have all but disappeared from the shops, during daytime at least.

This follows the arrests of several alleged ringleaders behind a huge cigarette, alcohol and coffee smuggling industry which the government says costs it billions of lei in lost revenues each year. Since May 1, the government has also required all cigarette packets to bear a stamp showing customs have been paid and is imposing fines of between 10m lei and 30m lei (\$3,300-\$9,900) on vendors who do not comply.

Tobacco is big business in Romania where an estimated 6m out of an adult population of 18m smoke.

Local brands are still produced by the state monopoly but have steadily lost market

share to western rivals. One of the police people who arrested recently is accused of smuggling 5.7bn cigarettes, about a fifth of the annual market of some 30bn cigarettes.

Industry analysts say import duties of up to 300 per cent are so high they encourage tax evasion and that the government would raise more revenues if it lowered its charges.

However, the biggest complaint yesterday was from shopkeepers and smokers who said an apparent shortage of the new customs stamps - pink for local brands, green for imports - had kept western cigarettes off the market. "It took me two days to find a packet of Marlboro", a 22-year-old student said. "I finally found some at 1am; the man in the shop said he only sold untaxed cigarettes at night time, when there were fewer policemen around, and that he had been unable to get hold of cigarettes with stamps."

The measures have already led to sharp rises in cigarette prices which were previously among the lowest in Europe.

China urged to outline stance on WTO entry

By Tony Walker in Beijing

Sir Leon Brittan, the European trade commissioner, yesterday urged China to be more forthcoming in talks on its entry to the World Trade Organisation.

Sir Leon, who ended a four-day visit to China yesterday, called on Beijing to outline candidly where it stood on such issues as market access, tariff cuts and quota removal. "They need to go further and put it on the table, then let's see how we get on," he said.

Sir Leon pressed this point with Premier Li Peng to a meeting during which he argued it was in China's interests to "show flexibility".

Sir Leon had also made it clear that if China could satisfy European terms for entry, it was most unlikely to face a veto from the US. "They are seriously worried about a general political veto by the US (but) I said put us to the test." EU officials are anxious to prevent talks stalling completely. They fear this would make it difficult to restore momentum in early 1997 after the US presidential election.

Beijing and its negotiating partners have virtually ruled out concluding WTO negotiations this year because the US administration in an election



Li Peng: pressed for flexibility

widespread counterfeiting of information and entertainment products, but the European approach was "more subtle" than that of the US, which has threatened sanctions.

The EU and China signed a protocol on Tuesday to strengthen co-operation in defence of intellectual property rights.

● Premier Li Peng said Beijing was considering buying more Airbus aircraft following China's order for 33 Airbus jets last month, Sir Leon Brittan told reporters.

"He told me there may be more purchases to come," said Sir Leon, who added that Mr Li had not said the additional orders would be at the expense of Boeing.

● The American Chamber of Commerce in Hong Kong yesterday said it would fight for unconditional extension by the US of China's Most Favoured Nation (MFN) trading status, Reuters adds from Hong Kong.

"America's relationship with China has become too important in strategic and economic terms to be threatened each year by a law written 20 years ago (during) the Cold War," the chamber said.

Hong Kong governor Chris Patten has been lobbying Washington to renew MFN.

CONTRACTS & TENDERS

REPUBLIC OF COTE D'IVOIRE PRIME MINISTER'S OFFICE MINISTRY OF AGRICULTURE PRIVATISATION COMMITTEE PRIVATISATION OF OIL PALM PLANTATIONS OF PALMINDUSTRIE INTERNATIONAL CALL FOR TENDER

The Government of Côte d'Ivoire, as part of its privatisation policy, announces the launch of an International Call for Tender for the privatisation of 5 groups of oil palm plantations ("E.A.I") extending over a total of 55,956 ha and including 14 oil mills. Each EAI will be sold separately through the same tender.

The EAI have the following characteristics:

- EAI of South-West: 11,331 ha of plantations and 3 oil mills
- EAI of Center-West: 12,618 ha of plantations and 2 oil mills
- EAI of Center: 9,630 ha of plantation and 2 oil mills
- EAI of Center-East: 7,669 ha of plantation and 3 oil mills
- EAI of South-East: 14,861 ha of plantations and 4 oil mills

Each EAI is privatised together with the necessary equipment and facilities for its operations.

Prospective investors are invited to withdraw information memoranda concerning the five EAI and a general information memorandum from Thursday May 2nd, 1996 at the following address:

COMMITTEE OF PRIVATISATION
6, Boulevard de l'Indénié
01 BP 1141 ABIDJAN - PLATEAU
Tél: (225) 22 22 31/22 22 32 Fax: (225) 22 22 35

The memoranda will be purchased for the respective amount of F.CFA 250.000 for the general memorandum and F.CFA 150.000 for each EAI information memorandum (IFF = 100 F.CFA).

The deadline for submission of bids is Monday, July 8th, 1996 before 18.00 GMT at the address hereabove.

PolyGram is biggest music group

By Alice Rawsthorn

A strong position in the fast growing Asian music market has given PolyGram a clear lead over rival record companies to become the world's largest group, according to new research.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, commanded 17 per cent of the main international markets last year, research released today by Music & Copyright, a Financial Times newsletter, shows. This compares with 15.5 per cent for Sony Music, part of the Japanese electronics and entertainment group.

Company	Share (%)
PolyGram	17.0
Sony	15.5
Warner	15.0
EMI	14.1
BMG	11.1

Asia has become increasingly important to the \$40bn music industry in the 1990s as the level of growth in the region has outstripped that in North America and western Europe. In Asia, consumers tend to prefer local stars, such as

Jacky Cheung in Hong Kong and Harlem Yu in Taiwan, proving multinational music groups need strong operations in the region. PolyGram has benefited from its businesses in Taiwan and South Korea, with 17 per cent and 9.9 per cent of sales respectively. In Japan, it commands a 13 per cent share.

Sony's international position has been strengthened by its market-leading Japanese operation, with a 17.6 per cent share. As a result, Sony has ousted Warner Music, the Time Warner subsidiary, from second place internationally. Warner, still number one in the \$12.1bn US market, has a

global share of 15 per cent. EMI Music, part of Thorn EMI of the UK, is fourth with 14.1 per cent, buoyed by support in the UK, Germany and Japan. The fifth biggest group is BMG, a subsidiary of Bertelsmann, the German media group, with 11.1 per cent.

The trend for music sales to rise faster in Asia than in North America and western Europe is set to continue. The US is still the world's largest source of music sales, but its global share has shrunk from 50 per cent 10 years ago, to 30 per cent now, and could fall to 20 per cent by the year 2000. See Lex, Page 16

'Ms Stonewall' lines up for US

Nancy Dunne on the tough negotiator waiting to talk for America

The US Trade Representative's spacious office has been empty since Mr Mickey Kantor moved to the Commerce Department last month.

Ms Charlene Barshefsky, deputy and next in the line of succession, remains in her own smaller office while the billing records of her 18 years at a prominent Washington law firm are inspected.

A provision inserted in a lobby reform law last year by Republican Senator Robert Dole bars anyone who has represented a foreign government in a trade dispute from holding the job. Ms Barshefsky apparently once advised the Canadian embassy in a softwood lumber case, but whether this will disqualify her has yet to be determined.

"I don't expect to have a problem," she said in an interview.

In the meantime, Ms Barshefsky has added Mr Kantor's responsibilities to her own, taking on, among others, the high-risk negotiations with China.

Ms Barshefsky, who would be the first career trade lawyer to hold the job of Trade Representative, is not a woman plagued by self-doubt. She relishes matching wits with the most wily of opponents and seems to enjoy creating order and policy from the thicket of competing domestic and international interests.

Mr Jeff Garten, former Commerce Department undersecretary of trade who worked with Ms Barshefsky for two years, describes her as "an extremely good negotiator, a good listener who understands all the technical, political, domestic and foreign policy ramifications in a negotiation."

Mr Jack Valenti, president of the Motion Picture Association of America, who went to China with her recently, attests to a persistence in her style. "There is an integrity of purpose about her. Mickey Kantor is more of a political animal, but in the implacability of their objectives and the relentless way they pursue them, I think they are cut from the same DNA."

Indeed, she was unyielding last week when refusing to sign up to a global telecommunications pact negotiated under the World Trade Organisation in Geneva, saying there was not enough in it for the US.



Charlene Barshefsky: in the thick of it

As one former US trade official explained it, the US is trying to build a durable multilateral system, not "a series of half-baked reforms which sow the seeds for discrimination in the system."

Ms Barshefsky's response to the subsequent blast of criticism coming from other countries' negotiators, in particular the EU, was to demand that the EU immediately come forward with an improved proposal of its own.

Ms Barshefsky makes no apologies in acknowledging that US support for the Most Favoured Nation principle, a basic tenet of the world trade system that trade partners should be treated equally, must be tempered by domestic political reality. "What you see is a country that in policy terms has made the decision that trade agreements must be reciprocal in character," she said.

"That doesn't necessarily mean mathematical equity but it does mean rough justice. And to the extent that MFN is to be retained - and I think it should be

retained - then it is important that countries appreciate that the US expects to get value for what it gives.

"Ten or 20 years ago countries might have expected the US to give more than it got, but that is not the case any more."

Elections in the US this year have put a constraint on any US trade negotiations, particularly since trade has become deeply enmeshed in domestic party politics. "The opposition is laying in wait, hoping that the administration is being soft or inconsistent or giving something away," said one official. "It would be perfectly understandable for Charlene to tread carefully."

She is very conscious of antipathy to trade deals among US voters, but she believes in the importance of the global trading system to the future of US prosperity.

"We're a mature economy [and] our industries are the most productive in the world. [Without trade] where is that output going to go? ... But the public doesn't make those connections. That's the danger we have to be concerned about."

Ms Barshefsky's pragmatism is much in line with Mr Kantor's. He, however, has been roundly criticised for his insistence on tying labour rights to trade negotiations to the WTO, and this is blamed for his failure to win new negotiating authority for future trade deals.

"To the extent that the WTO refuses to look at the intersection of trade policy and core labour standards, you will see a cynicism develop among the public that these international institutions have aims antithetical to other important public policies," said Ms Barshefsky.

Ms Barshefsky's nomination presents a dilemma for Mr Dole, the presumptive Republican presidential candidate, who has been criticising President Bill Clinton for being weak on trade. It is Mr Dole's provision to the lobby law that could prevent appointment of trade representatives who do not require on-the-job training.

And it is the same provision which could prevent the appointment of a negotiator so respected for her defence of US interests that she was nicknamed "Stonewall" by her colleagues.

WORLD TRADE NEWS DIGEST

Banana trade under scrutiny

The World Trade Organisation yesterday established an independent dispute panel to rule on the European Union's banana import regime. The five complainants - the US, Ecuador, Guatemala, Honduras and Mexico - say the EU quota scheme unfairly discriminates against Latin American banana producers in favour of former colonies and overseas territories in Africa, the Caribbean and the Pacific.

Two panels set up under the WTO's predecessor body, Gatt, found against the EU on bananas but their rulings were ignored by Brussels. Under stronger WTO procedures this will not be possible. However, the EU last year won a waiver from the WTO for its preferential trading arrangements with ACP countries. A number of ACP countries asked yesterday to join the panel, arguing that guaranteed access to the European banana market was essential for their economic survival.

Yesterday Brussels also rejected a US call for a panel on the EU's ban on hormone-treated beef. The EU must accept a panel at the second request, expected when the dispute settlement body meets on May 20. Frances Williams, Geneva

WTO shipping talks slow

Negotiations on international shipping in the World Trade Organisation are making little headway prior to the end-June deadline for an agreement. By yesterday, only 12 of the 42 participants, the EU counting as one, had put liberalisation offers on the table and they do not have the maritime services negotiating group that it could continue to strive for a non-discriminatory WTO accord which would guarantee existing high levels of access to world shipping markets.

However, many countries doubt Washington's commitment to the talks, and this belief has been strengthened by the US refusal to endorse a WTO telecoms accord at the end of last month. US officials say other countries have not been sufficiently forthcoming to make a US maritime offer worthwhile. Frances Williams

GM plans Australia expansion

General Motors-Holden Automotive, the Australian subsidiary of General Motors in the US, is to invest a further A\$1.4bn (US\$1.1bn) in its Adelaide-based manufacturing facilities during the next five years, as it invests to produce a second car at the plant.

GMHA said yesterday that it planned to manufacture the Vectra model alongside the existing Holden Commodore, for sale both domestically and in southeast Asian markets. The second car production line is expected to create about 700 new jobs. Nicki Tait, Sydney

● KHD Great Britain, the UK subsidiary of Klöckner Humboldt Deutz of Germany, has initiated the first private power project in Sri Lanka. KHD, as the lead sponsor, will erect a 51MW diesel power station expected to come into operation in 1997. The cost will be funded by debt and equity. Foreign Staff

● Northern Telecom, Canada's biggest telecommunications equipment maker, will supply a complete digital cellular communications network for Chongqing, Sichuan province, China. The first phase will service 20,000 subscribers. The company did not reveal the value of the contract with China United Telecommunications. Robert Gibbons, Montreal

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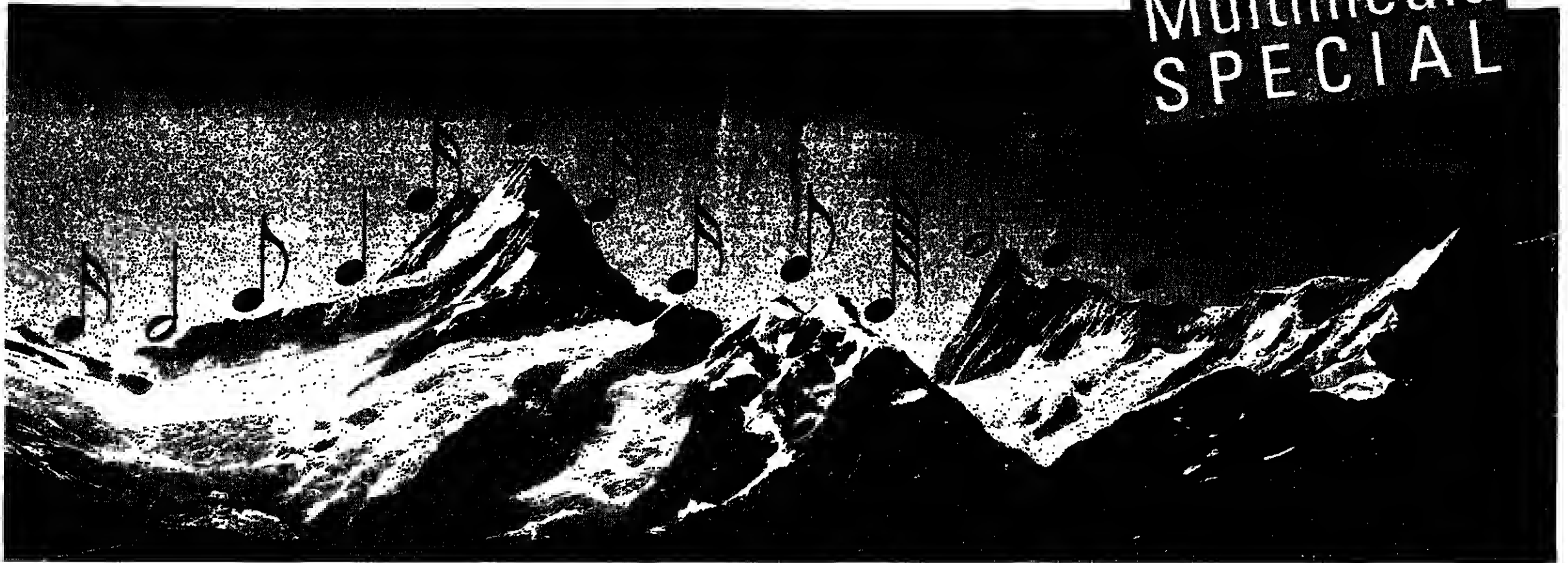
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**SIEMENS
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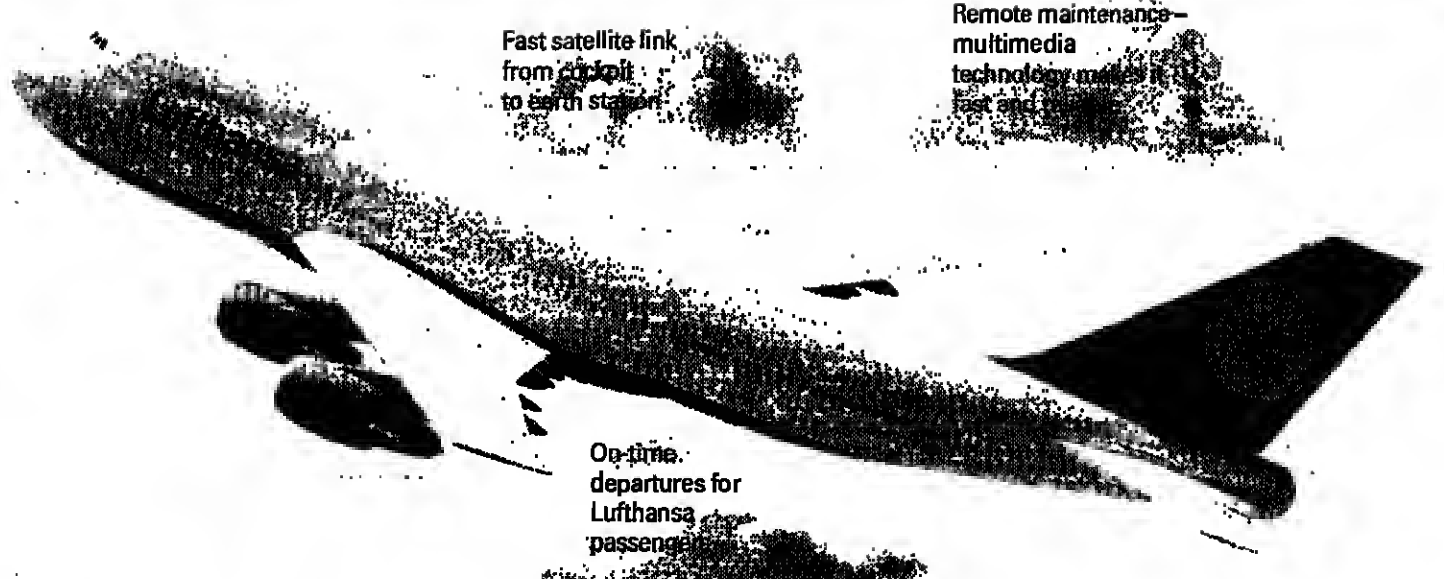
**Multimedia
 SPECIAL**



Zurich: Multimedia puts a song in the music business.

Switzerland's Musik Hug AG has launched a multimedia information concept it calls "Giga Music Browser." Musik Hug AG contracted with Siemens Nixdorf to provide complete management of the project: from initial consulting all the way through to support and final implementation, including a LAN network. Planning calls for networked multimedia stations to be used in Hug AG's retail outlets throughout Switzerland.

Founded in 1807, Hug AG, along with its subsidiaries Musica Nova AG and Musica Viva AG, is Switzerland's largest specialty retailer for musical instruments, sheet music, compact discs and accessories, generating annual sales of over Sfr 78 million. All of the objectives behind the idea for the information kiosk system - customer care, promotions, publicity and an innovative image - were able to be achieved with the implementation of this multimedia concept. The system is operated from a 17-inch touch-screen monitor. Designed with Hug AG's image in mind, the individual user interfaces reflect a combination of heritage and vision. All of the functions are highly intuitive and do not require any computer literacy on the part of the user.



Fast satellite link from cockpit to earth station

Remote maintenance-multimedia technology makes it possible

On-time departures for Lufthansa passengers

Frankfurt: Lufthansa German Airlines takes off with multimedia remote diagnostics.

A multimedia maintenance system is changing the face of aircraft maintenance at Lufthansa German Airlines: BISAM - as the project is called - stands for Broadband Integrated Services for Aircraft Maintenance. Together with Lufthansa, the multimedia BISAM application is being tested by Sietec Systemtechnik and Lufthansa Systems under a contract from Deutsche Telekom's DeTeBerkom subsidiary in Berlin. This project is presently undergoing national field trials with 18 systems in various Lufthansa locations - initially shadowing conventional maintenance and repair operations. And international links to the United States and Japan are already on the drawing board. Sietec was responsible for the elements of systems integration and project customizing. BISAM enables downtimes and maintenance costs to be reduced. Which assures on-time takeoffs and landings, as well as a competitive advantage for Lufthansa that underscores its capabilities. Because even though aircraft are maintained to high standards of engineering, too little technological support is being provided for conventional maintenance procedures. With BISAM, squawks can be reported while still airborne - either via automated monitoring systems or by the crew. Automatically encoded, they are transmitted to the BISAM

database by satellite. This allows the maintenance technicians at the destination airport to prepare for the job effectively, even before the aircraft lands, to obtain the required parts, and to request assistance from any specialists who may be needed. To make the job even easier, BISAM also supplies the correct repair strategy along with each squawk. Plus the latest data, since each operation is stored and analyzed. BISAM can even eliminate the need for on-site specialists: with the video conferencing module in BISAM, worldwide communications and conferences are possible from any work place. Multimedia remote diagnostics thus enable numerous squawks to be assessed and resolved in less time and at lower cost. Lufthansa's workstations also allow high-definition images of even hair-line cracks or minute corrosion to be sent directly to the expert's screen via Deutsche Telekom's high-speed ATM networks. A method that will considerably simplify aircraft maintenance in the future.

Newbridge, Siemens and Siemens Nixdorf - German-Canadian alliance for multimedia networks.

To keep up with the breathtaking pace of development in new communication options, there'll be no getting around ATM technology in the future. ATM stands for Asynchronous Transfer Mode. It's a high-speed wideband communication solution that's destined to serve as the platform for the information highways of the future. What's so revolutionary about ATM is that it allows both real-time applications, like voice and video conferencing, as well as data transfer to be handled over the same network with the same switching technology. Two of the leading network vendors in the industry have joined forces to form a long-term alliance in the field of ATM technology: Canada's Newbridge Networks Corp. and the Public Communication Networks Group at Germany's

Siemens AG, which will bring Siemens Nixdorf IT expertise to the alliance. Under this partnership, the world's most comprehensive product portfolio for wideband communication networks - ranging from access technology and switching systems all the way to complete wideband telecommunica-

tion networks - is now taking shape. Customers will benefit from this partnering agreement by being able to single-source consistent, all-encompassing solutions: corporate and public networks from Siemens together with Newbridge and multimedia end-user systems from Siemens Nixdorf.



SIEMENS NIXDORF

Upper Austria: The future belongs to the bank with more information capital.

A multimedia pilot project is ringing in a new information age in Austria. Since the summer of 1995, the Raiffeisen Bank branch office in the town of Ort has been equipped with the prototype of an information service terminal that is turning this bank into the town's communications hub. An objective that will soon be reality in all of Austria's Raiffeisen financial institutions.

The electronic kiosk was developed jointly by Siemens Nixdorf Austria and systems house Programm- und Systementwicklung (PSE), a unit of Siemens Austria.

Thanks to its cutting-edge technology, operating the system is child's play. Touch one of the information points that are displayed on the screen and the wizardry of the "point of action terminal" serves up everything worth knowing: the local calendar of events, information about the town's groups and organizations, as well as current club happenings.

Or questions about local continuing education offerings, a look at current trainee vacancies or the labor service's job exchange. And, of course, the Ort Raiffeisen Bank provides audio and video information about its staff and its complete portfolio of products and services. If desired, the user can easily print out the information that has been presented on the screen. The service is offered free of charge and is available to every visitor to the bank, whether a customer or not.

In its concept and technology, the electronic kiosk is equipped for every need: CD-ROM drive, sound card, stereo speakers, 17-inch touchscreen and laser printer. And a microphone, camera or magnetic stripe card reader can also be attached.

Implemented by Siemens Nixdorf and Siemens AG, these information kiosks are paving the way for Austria's Raiffeisen banks to enter a multimedia future where the focus is on people.



Luxembourg: Gateway from Siemens Nixdorf opens Europe Online for the home banking world.

New and dependable channels are opening Europe Online for the world of home banking - with a gateway that comes from Siemens Nixdorf. Customers will soon be able to choose which network and which bank they would like to use for their home banking needs. Because all of the home banking solutions that formerly were restricted to the T-Online service can now be used via Europe Online. But there's much more to the story than that: with Europe Online, banks can design their home banking solutions to their own CI standards and incorporate the look and feel of WWW multimedia applications. And the interactive structure of the special Windows user interface makes the system especially easy to use.

The focal point of this new concept is the gateway from Siemens Nixdorf, which links the Europe Online system with the bank's

external server: an RM600 running OnServe software from Siemens Nixdorf. With the gateway from Siemens Nixdorf, this Luxembourg service provider now opens the gates to a multimedia future for home banking.



Barcelona: Classrooms go multimedia.

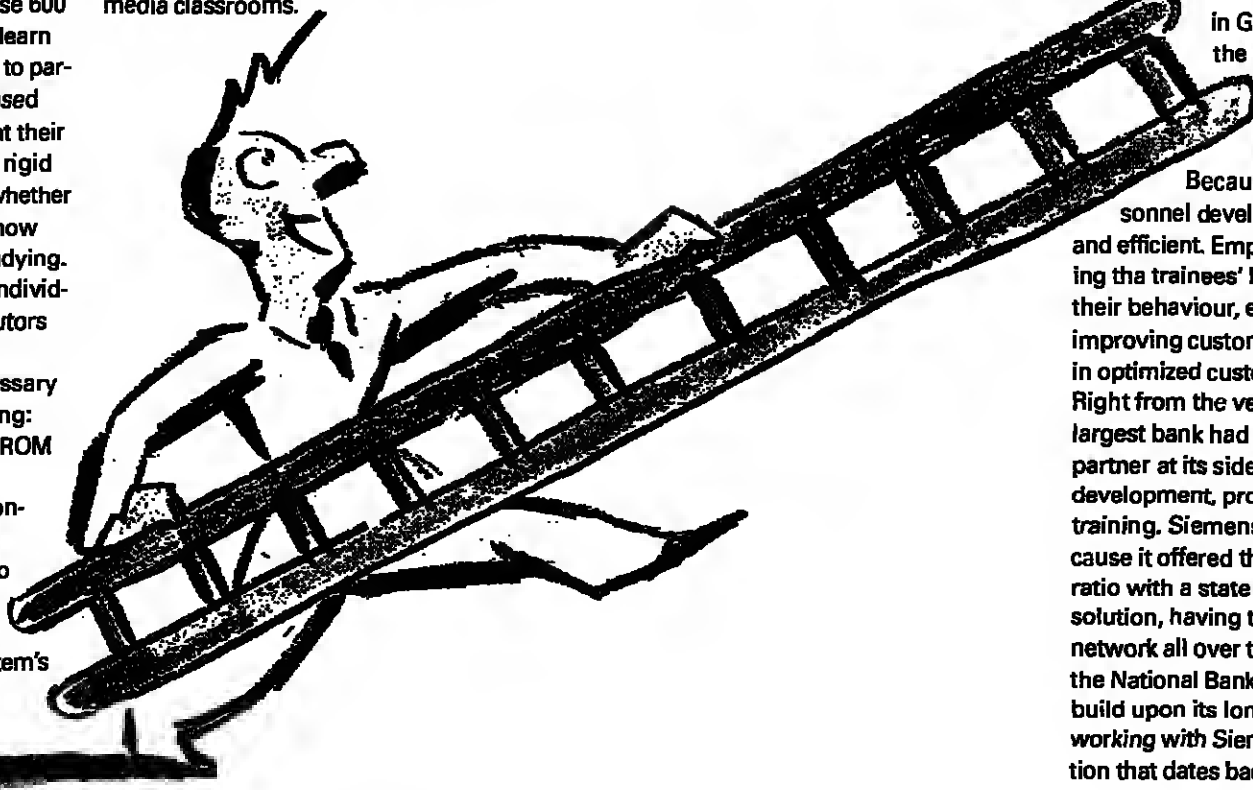
With its PIE (Programa de Informática Educativa) initiative, the Catalan government's Ministry of Education has now entered the multimedia learning age.

Today, pupils at public schools can use 600 Siemens Nixdorf multimedia PCs to learn a variety of European languages and to participate in all kinds of multimedia-based special courses. And they can learn at their own pace, without the constraints of rigid course hours. It makes no difference whether the users are beginners or already know the fundamentals of what they're studying. Because they can fashion their own individual curricula, or they can call upon tutors for advice.

Siemens Nixdorf provided the necessary infrastructure for multimedia learning: with SCENIC multimedia PCs and CD-ROM self-study programs.

And Siemens Nixdorf was also responsible for complete integration of the systems. LAN technology was used to integrate the Windows NT™ servers and UNIX® systems into a consistent network. As an added benefit, the system's Internet link allows the pupils to tap into information from around globe in a matter of seconds.

Because of the resounding success of the PIE project, the Ministry of Education intends to extend the multimedia network with the objective of making learning even easier and providing even more multimedia classrooms.



Athens: National Bank of Greece offers its staff multimedia career path support.

For the first time implemented in Greece: Multibank provides the National Bank of Greece with an innovative instrument for training and educating its staff.

Because Multibank makes personnel development cost-effective, fast and efficient. Emphasis is placed on enriching the trainees' knowledge and improving their behaviour, e.g. by facilitating and improving customer orientation resulting in optimized customer relationships. Right from the very beginning, Greece's largest bank had a strong and competent partner at its side: for advice, multimedia development, project management and training. Siemens Nixdorf got the nod because it offered the best price/performance ratio with a state of the art innovative solution, having the most available service network all over the country. What's more, the National Bank of Greece was able to build upon its long years of experience in working with Siemens Nixdorf, an association that dates back to 1968.

Multibank offers a broad range of training and educational offerings for the bank's more than 15,000 employees: fundamentals of marketing, market research, new banking products, marketing strategies, selling and customer interaction techniques, fundamentals of accounting and much more. Based on multimedia PCs, peripherals and network, all from Siemens Nixdorf - Multibank helps the staff at the National Bank of Greece travel faster along their career paths.

السيد محمد الياحي

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Frankfurt: Starting shot fired for multimedia electronic banking at Deutsche Bank.

With the development of the next generation of db-dialog, Deutsche Bank is opening up new opportunities for its customers: a user-friendly electronic banking program is assuring that all of the customer's typical banking needs can be handled easily and around the clock from a personal computer. The MS Windows application has a new and attractively styled user interface. Deutsche Bank and Siemens Nixdorf joined forces to develop the multimedia electronic banking idea into a viable product. Deutsche Bank customers will soon be able to benefit from it. With db-dialog, Deutsche Bank now has a high quality software product that saves customers time and money, while assuring competitive advantages for Deutsche Bank. Siemens Nixdorf is playing a major role in making Deutsche Bank's electronic banking offerings more comprehensive and attractive.

To make a virtual visit to a Deutsche Bank branch office, all the customer needs - in addition to a personal computer - is a modem and a T-Online ID. If the PC is additionally equipped with a sound card, electronic banking becomes a true experience. The basic functions, like electronic funds

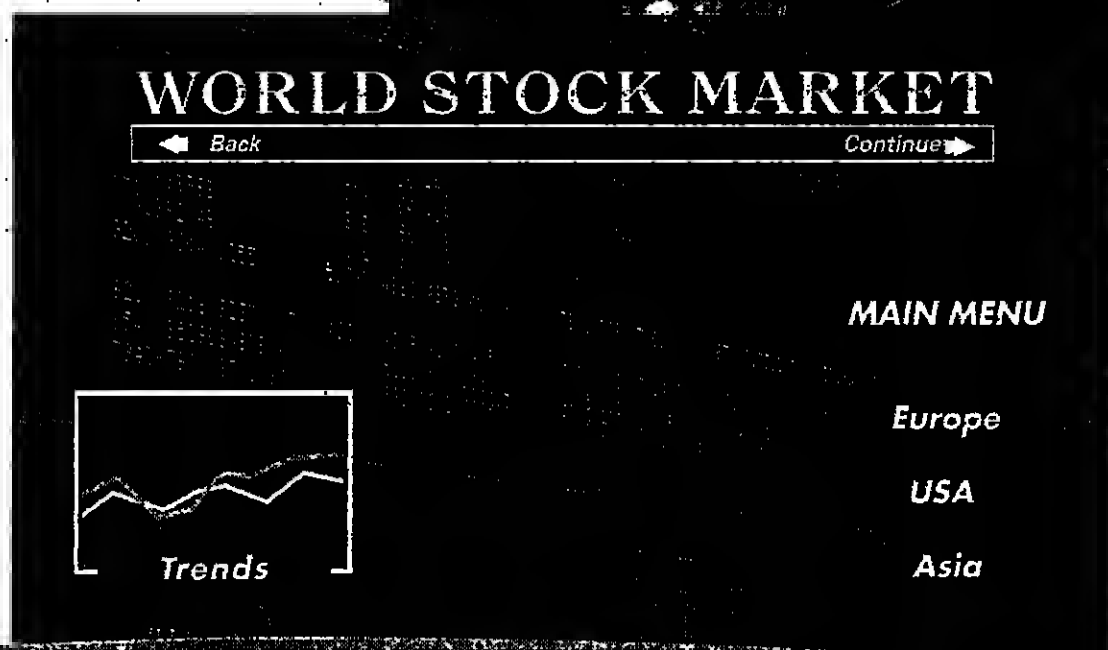
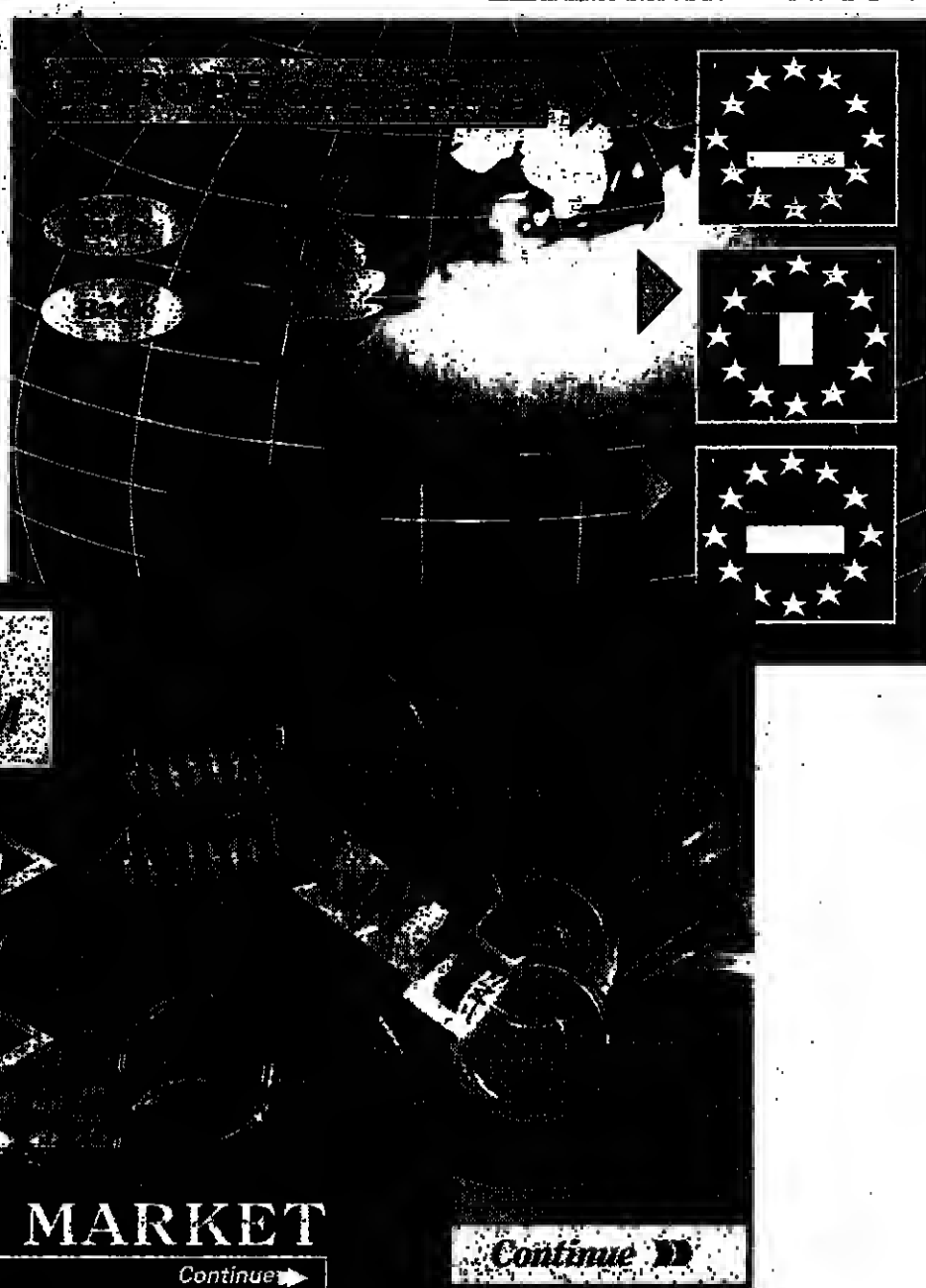
transfers or balance and transaction inquiries, are implemented on a multibank basis, i.e. they can be used for virtually all banks with online capabilities. A special service that Deutsche Bank provides to its customers allows them to display their securities custody accounts complete with current price information. In addition, it is also possible to query the prices of leading equities that are traded in Germany, the United States and Japan. And, as an extra service, this attractive multimedia application also enables customers to place direct orders, i.e. to buy or sell securities.

Siemens Nixdorf is helping to build the European multimedia house.

MATES, a project being sponsored by the European Community, is a major factor in designing and employing multimedia technology in the engineering sector. The objective of MATES - Multimedia Assisted distributed TeleEngineering Services - is to create a distributed work environment conducive to the efficient implementation of development and knowledge-intensive projects, in particular, regardless of where the participants are located. A further aim is to establish telecooperation centers throughout Europe incorporating new communication channels like the Internet for providing consulting services and allowing know-how to be transferred.

Involved in the project are partners from France, the Netherlands, Spain, Sweden and Germany; the partners are handling tasks that are related to their specific interests: user organizations, application and technology vendors, systems integrators and service providers.

As a technology vendor, Siemens Nixdorf is participating with its Cadlab research laboratory. At the same time, Cadlab is also responsible for project coordination. Siemens Nixdorf subsidiary Sietec, whose activities focus on project business, has assumed responsibility for systems integration. The long-term focus of utilizing the findings from this project to help develop a more effective labor market is turning MATES into one of Europe's leading projects. All the more so since a study by the Gartner Group forecasts that over 80% of all organizations will be employing half of their workforce on a telework basis by the beginning of the next millennium. This is a development that hinges upon the availability of leading-edge information systems like those for document and video conferencing.



Munich: The creative connection between the computer and Bavaria Film.

When two specialists join forces to combine their know-how in a project, there can be little doubt about the outcome: with M-BRAIN, Bavaria Interactiv, a subsidiary of Bavaria Film GmbH, and Siemens Nixdorf have launched a multimedia project that is getting things moving in the field of commercial sales promotion.

As Germany's most important TV and film studio, with headquarters in Munich and branches in Berlin, Hamburg, Cologne and Dresden, as well as operations in Hollywood, Paris, Roma and London, Bavaria Film GmbH produces some 20,000 minutes of TV programming each year. Responding to the growing interest in television, Bavaria broadened the focus of its activities: from traditional film-making to services for television companies and advertising agencies. Co-productions with private-sector television companies, design and graphics studios and advertising agencies involve a need for exchanging multimedia information among each other, and then supplementing this information and passing it on - quickly and without any loss of quality.

The M-BRAIN project offers the concept and solutions for these activities, as well as solutions for interactive television at the point of sale. A ten-step program accompanies commercial customers as they travel the road from silent sales clerks to multimedia sales terminals: the program ranges from development of the communication strategy on the basis of a customer-specific

market analysis and creation of the idea and the storyboard concept all the way to custom-tailored program development and a user-friendly navigation approach created with the aid of a special development principle.

The program also includes the screen design process - with sophisticated 3D animation if desired - that is matched to the customer's specific corporate identity needs, as well as the actual film production activities, with the customer being able to draw upon all of Bavaria Film's studio resources. Plus integration and meaningful interlinking of all of the media employed, as well as complete networking. Bavaria provides the customer with the needed infrastructure, i.e. personal computers, media servers, networks and operating systems. These components come from Siemens Nixdorf. A team of specialists from Siemens Nixdorf and Bavaria Film is right there with sound advice and hands-on assistance throughout the entire creation phase and beyond.



BANK
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Online
multimedia

SIEMENS NIXDORF

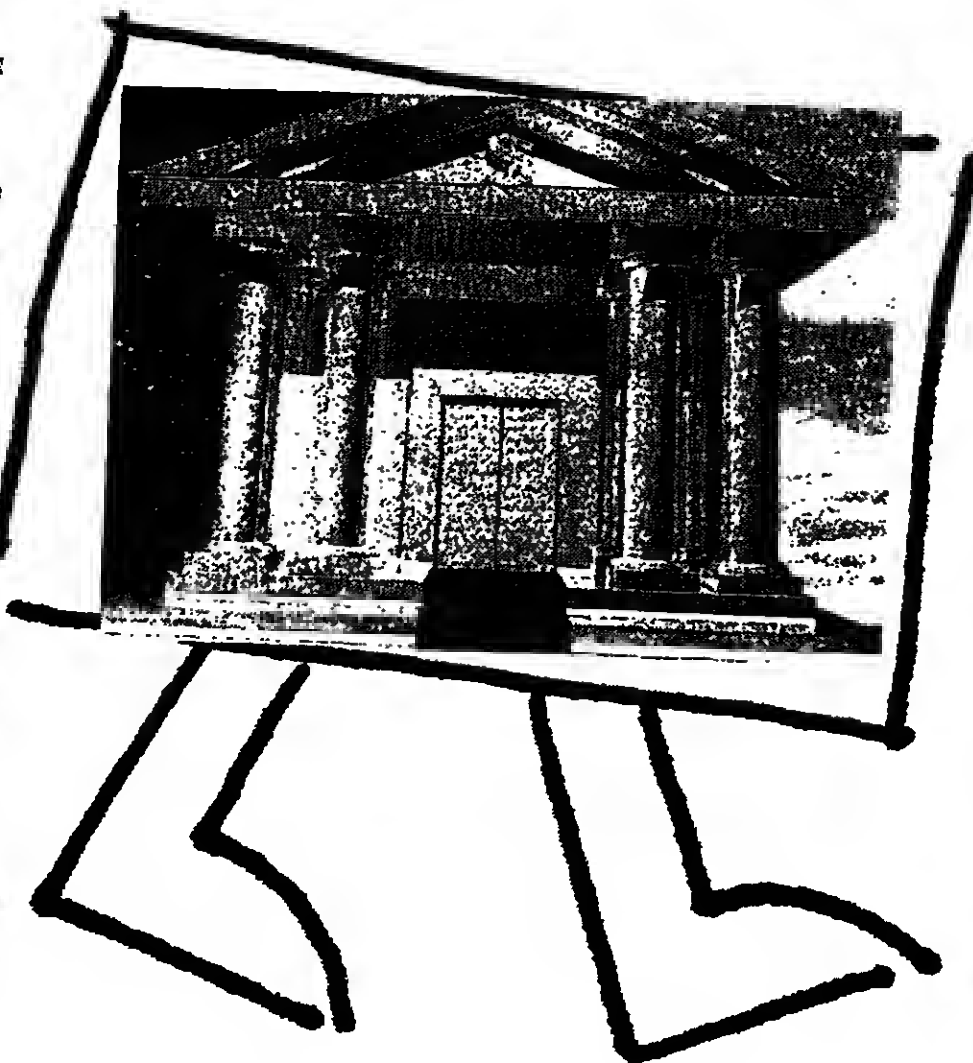
Brussels: If the customer won't go to the bank, the bank goes to the customer.

Three Belgian banks, Belgolaise, Crédit à l'Industrie and Crédit Agricole, are a nose ahead in the race to provide better customer care. The reason: DIVINA - Data Image Voice Interactive Applications - an all-encompassing solution for speeding up the development of interactive services that are directly available from any telephone, 24 hours a day.

Bank customers who utilize this new telephone banking service can now use the telephone to quickly and easily handle everything that used to require a trip to the bank's branch office: to query their account balances, get overviews of recent account transactions or transfer funds. Or to obtain information about the bank's current product offerings or make changes to their personal data. DIVINA was implemented by Siemens Nixdorf's Belgian subsidiary IN2. Modularly structured, it can be fully tailored to the needs of the individual financial institution.

The idea behind DIVINA is as simple as it is effective: telephones are everywhere. Regardless of the time of day or location, a phone can be used - like a computer - to transmit signals that are then transformed into data. The engineering platform consists of an interactive voice server, a computer system equipped with voice communication cards that is able to transform digital data into verbal information or vice versa. Connected to the telephone system, this server can also be linked with other DP systems in the institution for data interchange.

Since the implementation of the DIVINA concept, customers at Bank Belgolaise can handle their banking needs in three different languages - simply by using a telephone.



From initial consulting services all the way through to installation and support, the Siemens Nixdorf subsidiary is responsible for the entire service. As well as for the matching hardware: a PC running under UNIX is installed as the voice. Which makes light work of banking business for Bank Belgolaise's customers. And not just in Belgium, but also in Africa and any country, where Bank Belgolaise also does business. The bank "Crédit à l'Industrie" was one of the first to introduce its new customer-focused communication concept: it launched its DIVINA-based telebanking project back in June 1992. Serving as the general contractor for the project, the Belgian Siemens Nixdorf subsidiary assured that

the bank's staff of more than 1,000 people and the thousands of customers were ready for the new information technology when it was introduced. IN2 developed the required applications and assured their smooth integration into the existing architecture.

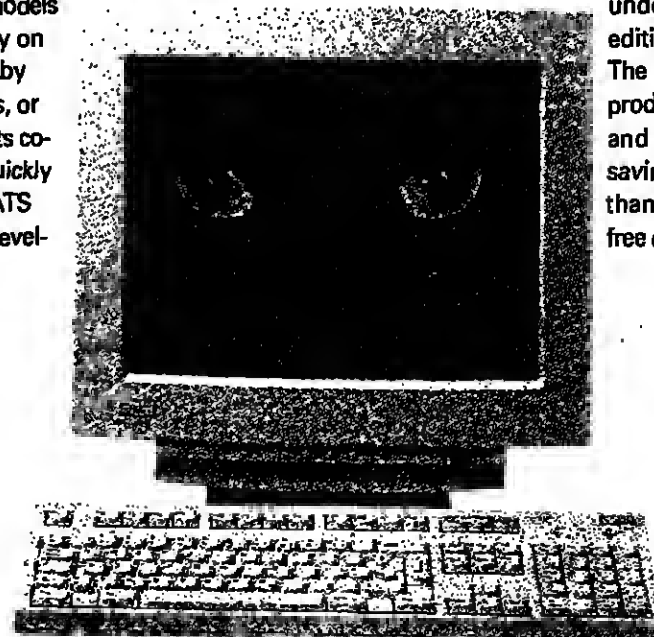
Another example of IN2's competence: introduction of a telephone banking system that was specially tailored to the needs of customers at the Bank Crédit Agricole. DIVINA served as the platform for this new service, which was implemented with methods and tools from IN2. Since its introduction in July 1994, the project - which the bank calls "Dynaphone" - has been receiving nothing but high marks from both staff and customers.

Bonn: With CATS, a conference is never more than a cat's whisker away.

A project called CATS - Computer Assisted Teleoperation Service - that is being conducted by Deutsche Telekom and Siemens Nixdorf subsidiary Sietec - which is playing a major role in the development - is the multimedia response to management's need for cost savings and flexible utilization of existing resources. Organizations that are following the trend away from large centralized production and administration locations and toward smaller business units are faced with a problem: inter-locational communication. Because urgent questions usually have to be clarified immediately, graphics and models handled jointly on the computer by several experts, or the latest results coordinated as quickly as possible. CATS was specially devel-

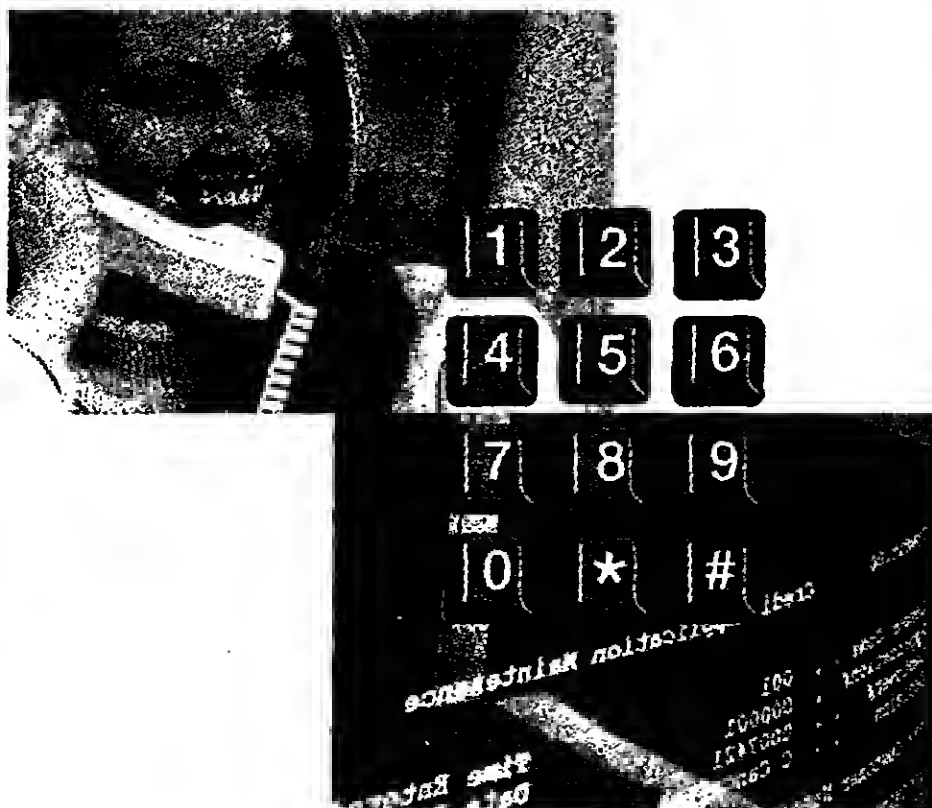
oped as a teleoperation service for manufacturers and engineering offices. It utilizes ISDN to conduct audio, video and data conferences. Plus intelligent management and application software. The solution was implemented with the Joint X conferencing software developed by Sietec. Deutsche Telekom succeeded in winning prominent participants like BMW, Benteler and the Berlin Construction Academy as pilot partners for CATS.

For the user, working with CATS is as simple as making a phone call: two or more work places are interconnected via ISDN, allowing projects to be worked on simultaneously under the joint editing method. The result: lower production cost and significant savings in time - thanks to travel-free conferences.



Brussels: JOSI brings insurance by phone.

With the implementation of the DIVINA project, a new era has dawned at Belgian insurer JOSI: Siemens Nixdorf's Belgian subsidiary IN2 provided full support in introducing its DIVINA development, from initial consulting all the way through to final implementation. IN2 used modules that were specially designed for the needs of the insurance industry to integrate DIVINA into JOSI's existing environment. The voice server, a PC running under UNIX, utilizes the insurance company's BS2000 mainframe for information interchange. This innovative voice server makes it as easy as can be for independent agents to communicate with the insurance company: using a telephone, and no additional equipment, it is possible for them to obtain rate calculations in a real-time link.



Siemens Nixdorf - Your multimedia partner for forward-looking solutions.

It's on everyone's lips: multimedia. No other form of information technology bears so much similarity to natural communication. Which also explains its enormous fascination and the public's willingness to participate in new forms of information interchange. In the form of either standard applications or custom solutions for retailing, manufacturing, banking, insurance and government. The more sophisticated these new multimedia

applications and service offerings become, the more important it is to have a solutions provider whose know-how ranges from the initial concept to ultimate implementation. And the hardware, software and communication networks on which they run have to be all the more versatile.

Accept the multimedia challenge - with Siemens Nixdorf as a capable partner for all services, products and solutions. With powerful hardware like the SCENIC multimedia

PC, POS systems and RM Series UNIX servers. With new data storage and compression technologies, and with networks that assure fast information transfer. Take advantage of electronic commerce to gain competitive advantages through more service around the clock or straightforward financial transactions.

Use forward-looking distance learning offerings, like CBT on demand and teletutoring, to provide effective and cost-saving training

for your staff. Regardless of your individual needs - put us to the challenge. Siemens Nixdorf is your partner with comprehensive competence in the field of information technology.

For further information please call:
Siemens Nixdorf
Informationssysteme AG
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<http://www.sni.de>

شركة سيمنس نيكسورف

Clinton challenge on legislation gridlock

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday threw down the gauntlet to the Republican majority in the US Congress by challenging it to pass the necessary legislation without "poison pills" that would ensure his veto.

Specifically addressing the causes of the current paralysis in Congress, Mr Clinton offered to sign a bill temporarily suspending the 1993 petrol tax, if it were sent to him free of non-governance riders and if the Republicans allowed a comparable "clean" vote on increasing the federal minimum wage. He also explicitly reminded the Republicans that they appeared to be losing the battle for public opinion in their legislative tactics. Without directly referring to his expanding lead in the polls, the president pointedly asked: "Will you go your own way again, leaving the American people with the memory of extremism, deadlock and government shutdown?"

The remaining 90 days of the congressional session, he went on, should be treated "like the

end of the legislative session and not the beginning of an election season." All the seats in the House of Representatives, and a third of those in the Senate, will be at stake in the November election.

Mr Clinton's remarks came hours after Senator Bob Dole, Senate majority leader and presumptive Republican presidential candidate, and Senator Tom Daschle, Democratic leader, had indulged in a bitter exchange on the Senate floor, each accusing the other of foisting "gridlock" on Congress.

The president said he would be "glad" to sign both the petrol tax repeal and a minimum wage increase, "if they come to me clean." The first, a Republican priority, is meant to counter the recent surge in prices at the pumps; the second, demanded by Democrats, is aimed at helping poorer working Americans.

But he extended his offer by citing other important pieces of legislation which he would be willing to sign if they were stripped of what he repeatedly called their "poison pill" features. That included welfare reform, if the Republicans

detached changes to Medicaid for the poor, and an immigration bill, if a rider approved by the House denying hospital care to the children of illegal immigrants was dropped.

Mr Clinton also said he was perfectly willing to re-open negotiations on a seven-year balanced budget agreement, provided the Republicans stopped insisting on deep spending cuts for education and the environment.

Mr Clinton, somewhat artfully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But, "whenever we've worked together in a bi-partisan fashion, we've gotten progress."

Mr Dole's initial reaction to the president's intervention was dismissive, sarcastically referring to what he called "the president's non-partisan appearance [at] the White House". He insisted he had offered the Democrats "clean votes" on the petrol tax and the minimum wage, so long as they agreed to a third clean division on the "team act", bitterly opposed by organised labour for fear it infringes on collective bargaining rights.

Black opponent again for right-winger Helms in repeat run

By Jurek Martin in Washington

Senator Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, will again defend his North Carolina seat against Mr Harvey Gantt, the black former mayor of the city of Charlotte, in the November elections.

Mr Helms, first elected in 1972, defeated Mr Gantt six years ago 53:47 per cent. That contest was marked by much racial innuendo from the senator. Some early Helms commercials this year have again attacked preferences in hiring and other areas for blacks and homosexuals.

Mr Helms may be relieved not to have to face the man Mr Gantt defeated by 53:41 per cent on Tuesday in the Democratic party's senatorial primary. Mr Charles Sanders, former head of Glaxo, the pharmaceuticals company, is

not only white but also an advocate of several conservative positions, including term limits for members of Congress, that he claimed, undercut Mr Helms's appeal in ways Mr Gantt could not.

In his speech to concede defeat, however, Mr Sanders promised to do "everything I can" to put Mr Gantt in the Senate.

The latter has challenged Mr Helms to public debate on racial questions rather than, as he put it, "hide behind those 30-second TV commercials." Mr Helms hoped the two could "disagree agreeably like gentlemen."

For all his long service in Washington and vaunted fundraising abilities, Mr Helms is accustomed to close races. His winning percentages in his four Senate elections have been in the range of 52 to 55 per cent.

This year, however, he may benefit from new Republican

voter registration comfortably exceeding that of Democrats in North Carolina.

The state has long mixed a liberal tradition, rooted among blacks in its south and in the university complex by Raleigh-Durham in the north, with strong conservatism. That was evident in the Republican gubernatorial primary on Tuesday, won by Mr Robin Hayes, supported by both the gun lobby and the Christian Coalition, for the right to take on Mr Jim Hunt, the popular Democratic incumbent, in November.

In presidential primaries on Tuesday, President Bill Clinton and Senator Bob Dole easily wooed North Carolina, Indiana and the District of Columbia against open opposition.

The election in the US capital was noteworthy for the fact that voter turnout hit a record low of 9 per cent - in a poll which it cost the quasi-bankrupt city \$350,000 to stage.



Harvey Gantt, seen celebrating his Democratic primary win, will have a second tilt at arch-conservative Senator Helms. PHOTOS: AP

Elsewhere, the citizens of Nashville, Tennessee, comfortably approved a bond issue to help build a new professional football stadium, intended as the home of the current Houston Oilers team. US cities and states are in intense competi-

tion to attract, or retain, professional sports franchises.

In March, voters in San Francisco supported a new baseball park on the city waterfront to keep the local Giants from leaving for San Jose or another city.

Mexico-US accords made

Mexico's often chilly relationship with the US warmed a little this week, as two days of talks ended with a welter of agreements, Daniel Dombey reports from Mexico City.

The cabinet-level Binational Commission reached accords on topics including drugs, immigration and environmental co-operation.

Mr Warren Christopher, US Secretary of State, hailed the talks, for which an unprecedented nine US cabinet secretaries travelled to Mexico City, as having arisen from "the most positive relationship that

we have ever had between Mexico and the US".

His closing comments contrasted with the inaugural statement of Mr Angel Gurría, Mexico's foreign minister, who had criticised of mounting anti-migrant sentiment in the US and of draft legislation before Congress which seeks to prevent third countries investing in Cuba.

But Mexican criticism accompanied what seemed to be a greater disposition to co-operate with the US, whose officials were especially enthusiastic about a Mexican request for US technical assistance in

implementing the former's new money-laundering law.

The subject has been especially delicate because of recent suggestions by US Drug Enforcement Administration officials that Mexican banks have been involved in money-laundering. Such comments could have hardened the traditional Mexican aversion to interference in its internal affairs. The suggestions were this week down-played by US representatives.

Mexican officials spoke highly of a pact to enhance consular protection for illegal immigrants to the US.

Moderate growth in economy

The US economy grew moderately in the past two months, with little sign of any inflationary pressures, a survey of regional business conditions by the Federal Reserve shows, AP reports from Washington.

The survey by the Fed's 12 regional banks showed all districts except New York were sharing in the expansion. Several districts "noted the pace of expansion had quickened recently."

"Price increases remained generally subdued and there were only scattered reports of wage pressures despite continued tight labour markets and somewhat stronger economic growth," the survey summary said.

Canadian province keeps aim to balance budget by 2001

Ontario to cut income tax

By Bernard Simon in Toronto

Ontario's Conservative government plans to cut personal income tax rates in the Canadian province by 30 per cent over the next three years, without jeopardising its aim of a balanced budget by 2001.

The tax cut, unveiled in the government's first budget since it took office last June, marks a sharp break from successive increases imposed by all levels of government in Canada over the past two decades.

Ontario, which accounts for about 40 per cent of Canada's total economic output and is an active borrower on world capital markets, is well behind most of the other nine prov-

inces and the federal government in bringing down its budget deficit.

This week's budget projected a deficit of C\$8.2bn (US\$5bn) in the year to March 1997, down from C\$9.1bn in 1995/96. The Conservatives hope that public spending cuts and continuing economic growth will more than offset the new tax concessions.

Mr Ernie Eves, provincial finance minister, said: "Unless we reduce our current levels of taxation, we will never return to prosperity, we will never create enough jobs to give Ontarians a secure future, we will never generate enough revenues to balance the budget."

The provincial income tax rate will drop, on July 1, from 58 per cent of federal tax payable to 54 per cent. Further cuts will bring it to 40.5 per cent by 1999.

Social activists and other critics opposed the tax cut, saying the funds would be better used to ameliorate cuts in government services, which have included a 22 per cent reduction in welfare payments and lower funding for community groups.

The business community generally welcomed Ontario's strategy, but economists cautioned that a recession could derail the deficit reduction targets.

The government has yet to offer full details of its planned overhaul of the public sector,

including the possibility of several large privatisations.

Even so, Richardson Green-shields, a Toronto securities firm, said in a commentary yesterday that the commitment to fiscal discipline by the federal government and the provinces was "a vital element in our expectation of a secular rise in the Canadian dollar and narrowing long-term interest-rate spreads".

Mr Eves also moved to improve the business climate by exempting businesses with annual wage bills of less than C\$400,000 from payroll taxes used to finance health care services. This concession was offset by a health surtax on middle- and high-income earners.

Big step on Guatemala's tortuous road to peace

Social reform deal brings closer an end to Central America's remaining civil war, writes Fiona Neil

The signing this week of a social reform agreement by the Guatemalan government and leftist guerrillas marks a big step forward in the slow trudge to wrap up Central America's longest and last remaining civil war.

The agreement is also another feather in the cap of President Alvaro Arzú who has surprised both friends and foe since he took office in mid-January with a reputation as a tough rightwing businessman and a member of Guatemala's exclusive white elite.

The significance of the agreement lies less in its sketchy content than in the fact that the biggest hurdle to a final peace accord has now been cleared after almost a year of tortuous discussions.

With only three issues - the role of the army, constitutional reform and the re-integration of guerrillas back into society - remaining on the negotiating agenda, Mr Arzú's pledge to sign a full accord with the Guatemalan National Revolutionary Unit (URNG) to coincide with independence day celebrations on September 15 no longer seems the product of post-electoral euphoria.

The five-point agreement addresses a range of issues aimed at attacking the poverty that has fuelled the 35-year civil war, but is short on specifics. The most important points include the creation of a land bank to provide soft loans for poor peasants to buy property, the introduction of a land tax, and the establishment of a registry to define land ownership.

All these measures are designed to attack Guatemala's notoriously skewed land distribution, without offending powerful landowners, who nearly derailed the peace process last year because they feared the government would back some kind of agrarian reform. Land distribution has been a full-cum of conflict in Guatemala for 400 years.

The government also agreed to double health and education spending over the next four years by improving tax collection rather than raising taxes. "There is something for everyone. No one can say they have been sold out," said one European diplomat.

The peace breakthrough is another example of Mr Arzú's ability to manoeuvre skillfully over Guatemala's political minefield, winning support

from a fledgling centre which may finally stamp out the tendency towards extremism in polarised Guatemala. His closest advisers include a handful of intellectual heavyweights - some former URNG sympathisers - whom analysts say have softened his National Advance Party's rightwing image.

He himself made the key breakthrough in late March by making a surprise visit to the guerrillas' headquarters in Mexico City. The URNG subse-

quently announced an historic open-ended ceasefire as a gesture of goodwill. It was rapidly matched by Mr Arzú, who ordered the army to end all counter-insurgency operations.

Mr Arzú has won international support for acting swiftly to make good his electoral promise to attack crime rackets by purging elements of the powerful army accused of being corrupt, including a number of generals.

While the government played down the charges, dismissing them as routine, privately ministers say those removed were involved in crime rackets ranging from kidnapping to international car theft and drug trafficking.

The daring and unprecedented purge has the support

of a small but sophisticated group of reformist officers who dominate the military high command.

Analysts say these officers believe Guatemala's notoriously brutal and corrupt army must clean up its house if it wants to win international credibility and maintain its dominant role in the country's internal politics.

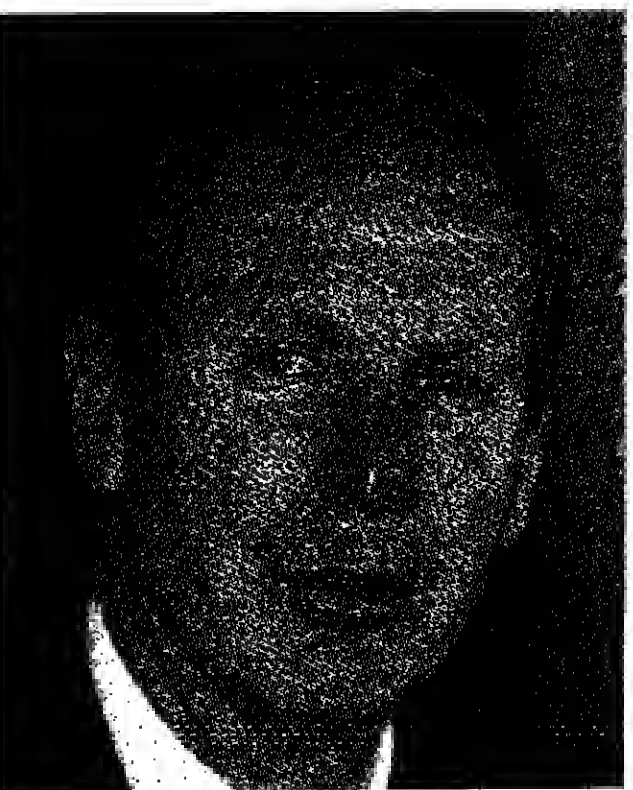
Mr Arzú still faces an uphill struggle. Classified documents recently released by the US

State Department relating to army killings of US citizens in Guatemala may resurrect the thorny issue of human rights.

While Guatemala's army is prepared to tackle corruption in its ranks, it is unwilling to punish members for war crimes which have claimed the lives of around 100,000 civilians.

The country is also in the midst of a crime epidemic which many fear may worsen after a full peace accord is signed, as occurred in neighbouring El Salvador.

According to a recent newspaper report there are an average of 10 killings and three kidnappings a day in Guatemala. Some say the crime wave may be part of a backlash by purged army officers without a job.



President Alvaro Arzú: surprising initiatives for peace. PHOTOS: PHOTOS

The Management Board of Poliski Bank Rozwoju S.A. - Polish Development Bank in Warsaw hereby informs that pursuant to Art. 393 § 1 of the Commercial Code and § 28 point 2 of the Company's Charter it convenes the General Meeting of Shareholders to take place on 21 May 1996 at 13.00 hours in Warsaw at 5 Plac Trzech Krzyzy in the POD KOPULA Hall of the Central Planning Office Building with the following agenda

- 1) Opening and appointment of the chairman;
- 2) Establishment of validity of the meeting;
- 3) Adoption of the meeting agenda;
- 4) Appointment of the returning (vote counting) committee;
- 5) Consideration of the Report of the Management Board on Activity of the Company, the Company's Financial Statements and the Report of the Supervisory Board (Bank Council) on examination of the above-named documents;
- 6) Approval of the resolutions on the following matters:
 - Approval of the Report of the Bank Council on examination of the Company's Financial Statements; the Report of the Management Board on Activity of the Company; and the proposal of the Management Board on profit distribution;
 - Approval of the Report of the Management Board on Activity of the Company; and Financial Statements in respect of 1995 including the Balance Sheet, Profit and Loss Account, Supplementary Information, and Cash Flow Statement;
 - Distribution of profit in respect of 1995;
 - Acknowledgement of the duties performed by the Management Board and the Bank Council;
- 7) Adoption of a resolution on establishment of an employee incentive awards fund;
- 8) Adoption of a resolution on changes to the bank's Charter;
- 9) Adoption of a resolution on increasing of the discretionary fund being equity of the Bank's Brokerage Office;
- 10) Conclusion of the Meeting.

The Management Board of Poliski Bank Rozwoju S.A. - Polish Development Bank (PDB) informs that pursuant to article 399 § of the Commercial Code, the right to participate in the General Meeting of Shareholders is due to owners of bank's bearer shares if those persons submit at least one week prior to the date of the General Meeting a deposit certificate issued by the Brokerage Office or a certificate issued by the brokerage office maintaining their investment accounts. The latter certificate should contain a clause stating the number of shares held, and statement that at issuance of the certificate the said shares have been blocked at the investment Account until completion of the General Meeting.

In place of deposit certificates, the shareholders may submit a proof of placement of the deposit certificate in a bank safe-keeping facility or with a notary public. The said proofs contain information on the number of shares held and state that the deposit certificates shall not be returned before completion of the General Meeting.

The certificates or deposit certificates should be submitted to the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznańska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The list of shareholders authorised to take part in the General Meeting pursuant to article 400 § of the Commercial Code will be posted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznańska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The shareholders may take part in the General Meeting and execute their rights to vote in person or through proxies. Power of attorney should be granted in writing under the rigour of being found null and void.

Representatives of legal persons should present the excerpts from appropriate registers which name the persons authorised to represent those entities. Any person not entered in the above-mentioned register should present power of attorney in writing.

Joint owners of shares are obliged to indicate in writing their joint representative authorised to take part in the General Meeting.

Persons authorised to take part in the General Meeting will be able to voting cards and to register those cards on the day of the General Meeting at the entrance to the meeting hall between 11.00 and 13.00.

The following changes to the bank's charter are proposed:

- 1) in § 13 words "in another way indicated by the Bank" shall be substituted with words "by takeover of the object of the lien to become a property of the Bank". The second second sentence shall be deleted.
- 2) in § 28:
 - a) in section 2 words, "until 31 May" shall be substituted by words- until 30 June",
 - b) section 4 shall read: -4. Convening of the General Meeting of Shareholders shall be done by means of an announcement in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) published at least three weeks before the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the daily newspaper Rzeczpospolita at least weeks prior to the date of the General Meeting",
 - c) the previous wording of section 4 is: -4. Convening of the General Meeting of Shareholders shall be done by means of two announcements in Rzeczpospolita, a daily with nationwide circulation, at least 10 days prior in the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the Financial Times at least 10 days prior in the date of the General Meeting",
 - d) section 5 is added which shall read as follows: -5. In the announcement convening the General Meeting the date, hour and place of the General Meeting as well as the detailed agenda shall be included. In case of an amendment to the Charter the announcement should refer to the currently valid provisions and present the text of planned amendments.",
 - e) in § 29 the section number, "1" and section 2 shall be deleted,
 - f) in § 31 in section 1, following the word "-votes" the word "-cast" shall be added,
 - g) § 32 shall read: -§ 32. Resolutions concerning issuance of bonds, including bonds convertible to shares, changes in the Charter, disposals of the company, merger and dissolution of the Company are taken by the majority of 3/4 of votes cast.",
 - h) the previous wording of § 32 is: -§ 32. Resolutions concerning issuance of shares, bonds, changes in the Charter, changes in the subject of the Bank's activity, or merger of the Bank shall require a 3/4 majority of votes cast.",
 - i) § 33 section 2 shall read: -2. In case when there is no quorum, as specified in section 1, during a General Meeting the persons convening that Meeting shall convene another General Meeting in 14 days time. In such a case the Meeting is valid independent to the number of shares represented at such a Meeting.",
 - j) the previous wording of § 33 section 2 is: -2. If a properly convened General Meeting has no quorum, as specified in section 1, the persons convening that Meeting may set a second date for the General Meeting. In such a case, resolutions may be adopted irrespective of the number of participants.",
 - k) in § 34 in section 1:
 - a) point 2 shall read: -2 examination and ratification of the report on activities of the company and the financial statements including the balance sheet, profit and loss account for the past year, additional information and cash flow.",
 - b) the previous wording of point 2 is: -2. examination and ratification of the balance sheet, and the profit and loss account in respect of the past year.",
 - c) following point 2 point 2a shall be added which shall read as follows: -2a. distribution of profit or coverage of the losses.",
 - d) in § 36 point 1 shall read: -1) ratification of the report of the Management Board concerning activities of the Company and of the financial statements including the balance sheet, profit and loss account, additional information and cash flow.",
 - e) the previous wording of point 1 is: -1) initial ratification of the Management Board reports, the Bank's balance sheet, and the profit and loss account in respect of the past year.",
 - l) in § 40 in section 1 words "commercial ledgers" shall be substituted with words "accounting ledgers".
 - m) § 41 shall read: -§ 41. The financial statements and written report concerning activities of the Company should be prepared by the Management Board within 3 months following the end of the business year and then presented to the Supervisory Board for approval. The Supervisory Board is obliged to take a resolution concerning approval. The Supervisory Board is obliged to take a resolution concerning approval of the filed documents within 15 days following the date of receipt of the financial reports and the report concerning activities of the Company.",
 - n) the previous wording of § 41 is: -§ 41. The annual balance sheet, profit and loss account and written report concerning activities of the Company should be prepared by the Management Board and approved by within 3 months following the end of the business year. Within the subsequent 2 months these should be submitted with the General Meeting of Shareholders for approval.",
 - o) § 44 shall read: -§ 44. The announcements concerning the Bank and required by law shall be published in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) according to the effective regulations and once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.",
 - p) the previous wording of § 44 is: -§ 44. The announcements concerning the Bank and required by law, with the exception of those mentioned under § 28 section 4 of this Charter, shall be published once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.",

Management Board
Poliski Bank Rozwoju S.A. - Polish Development Bank.

NEWS: UK

EU edges towards easing of 'mad cow' curbs

Financial Times Reporters in Brussels and in London

The European Commission yesterday demanded that Britain impose tougher controls on the production of gelatin and tallow made from cattle slaughtered in the UK as a precondition to the European Union lifting its ban on the products. The demand is central to a strategy mapped out yesterday by Mr Franz Fischler, the EU agriculture commissioner, to prepare the way for an easing of the six-week-old ban. The plan still has to be approved by the EU's standing veterinary committee, which is due to meet again next Wednesday. Yesterday they ended a two-day meeting, deferring all decisions to next week.

Mr Douglas Hogg, UK agriculture minister, last night described the Commission proposal as "an important step", but he repeated his demand for an early lifting of the full ban on beef exports. Mr Hogg's aides said they believed the British beef industry could "live with" the conditions attached by the commission to the lifting of the export ban on gelatin and tallow.

But they accepted there was still substantial EU opposition to even a partial lifting of the beef export ban, particularly from Germany. In addition, EU officials warned that there were still doubts over whether the EU veterinary committee, which consists of representatives from member states, would agree to Mr Fischler's plan. However, one official added: "If agreement could be reached on this it would create the psychological conditions in both the UK and other member states to improve the situation."

But he said the commission "has to act carefully. There is no point being radical on this issue if the member states will not follow us." The commission is demanding that only authorised plants should be allowed to make gelatin and tallow and that labelling should show what production techniques had been used.

"Once these measures are put into action the Commission considers that it would no longer be necessary to maintain the export ban," a commission statement said. The commission statement added that the proposals matched recommendations from the World Health Organisation which said that gelatin was safe if the manufacturing process "has been demonstrated to significantly inactivate any residual infective activity that may have been present in source tissues. Tallow is likewise safe if effective rendering procedures are in place."

EU officials confirmed that Mr John Major, the British prime minister, had written to Mr Jacques Santer, president of the commission, pressing for a "rapid solution" to the problem. Mr Major suggested that, if no progress could be made, a summit of EU heads of state should be called.

Manufacturing decline heads for a soft landing

By Graham Bowley in London

The empty, devastated factory landscapes of the early 1980s and 1990s were testament to the last great contractions of British industry. Official figures published today are expected to show that, after a period of relative buoyancy since 1992, manufacturing may once again be set for further contraction as it teters on the brink of recession.

Its latest woes - which have seen the annual growth rate in manufacturing output fall from 4 per cent last March to about half a per cent at present - have been exacerbated by a large build-up in unsold stocks of finished goods and a fresh deterioration in export performance.

Export demand in some of the UK's main overseas markets has virtually dried up thanks to their slower growth. Export volumes to the European Union have fallen by 3 per cent since last July although exports outside the EU remain buoyant.

These present troubles may prove temporary but they nevertheless mark the latest step in a long and painful process which has seen manufacturing's importance in the UK economy shrink.

Manufacturing's long-term demise has been inextricably linked - as it is now - to the UK's poor trade performance, understandably so since tradeable manufactured goods make up the largest part of most developed countries' exports.

An overvalued exchange rate at crucial points during this

Industry content with unchanged rates

The Confederation of British Industry said yesterday that it is happy for UK interest rates to remain unchanged for now, our Economics Editor writes. "Our view on interest rates is that they can be left on hold for the time being," said Mr Sudhir Junankar, associate director of economic analysis at the CBI, Britain's largest employers' organisation. He added that the economy would have to weaken more to justify a further reduction in base rates from their current 6 per cent. Mr

Junankar made his comment shortly after Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, concluded a routine monetary meeting. As expected, no cut in rates was announced in the immediate aftermath of the meeting. Meanwhile the CBI published its latest analysis of regional trends in UK manufacturing industry. It reported that orders fell sharply in six out of 11 regions in the four months to April.

period was blamed by many for the poor trade performance. In the early 1990s tight monetary policy and the UK's huge oil exports led to a strong pound which wrought havoc in the manufacturing sector. Industry suffered again during sterling's membership of the European exchange rate mechanism.

On a brighter note, Oxford Economic Forecasting, the economics consultancy group, believes manufacturing may now be poised to outperform the rest of the economy - helped by the UK's relatively low wage costs which mean manufactured goods can be competitive in international markets. UK hourly labour costs are 46 per cent lower than in West Germany and 44 per cent lower than in Japan, it estimates.

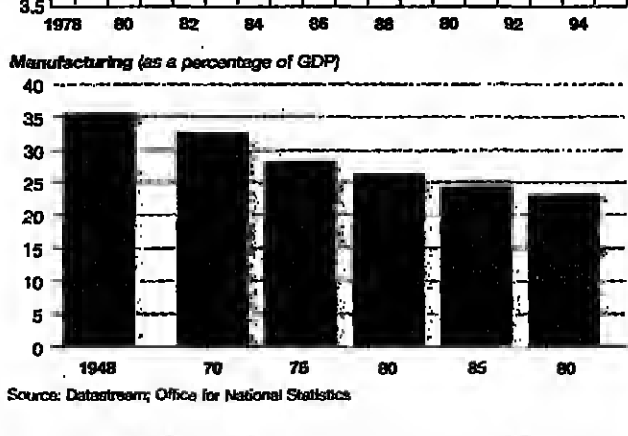
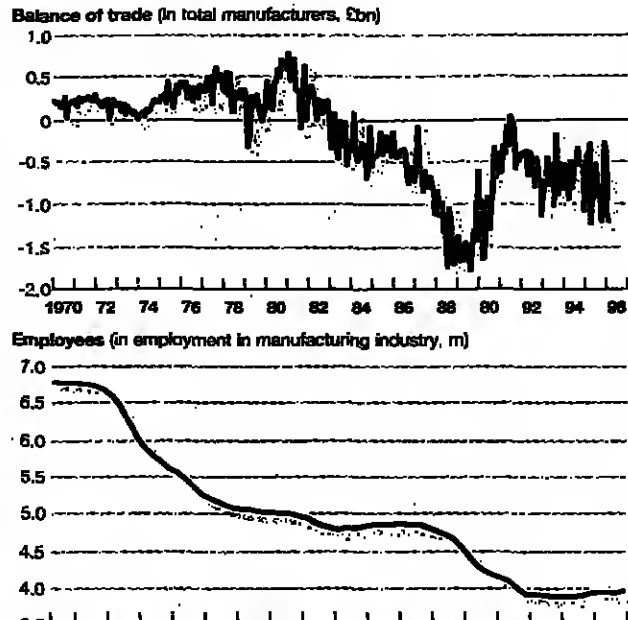
But even if manufacturing's absolute decline is halted, its relative share of overall GDP looks set to remain stable at

best. While manufacturing has been in the doldrums this year, the service sector has continued to grow rapidly - at an annual growth rate of 3.8 per cent in the first quarter of this year.

But should we be worried by British industry's relative decline? Ms DeAnne Julius, chief economist at British Airways and co-author of a prize-winning essay on de-industrialisation, thinks not. "There is nothing special about manufacturing that means it should receive special attention from government policy," she said.

Mr Geoffrey Dicks, economist at NatWest Markets, agrees there is small cause for concern. "We cannot live by services alone because a lot of the sector services manufacturing. But that said, it is not worrying that manufacturing has become as small a part of the economy as it has."

Factories in retreat



The UK has also avoided the balance of payments problems thought inevitable as imports continued to be sucked into the UK without the manufactured exports to pay for them. And the UK's experience is not unique - a move away from industry towards services is a trend common to most

Central bank downbeat on EMU

By Gillian Tett, Economics Correspondent

Financial markets will punish the UK by pushing up its bond yields if it stays outside a single currency, Mr Eddie George, the governor of the Bank of England, warned yesterday. But if the UK enters a single European currency it will be tying itself to a project which looks increasingly risky, he added.

Mr George said the recent economic slowdown on the mainland of Europe had left him "more doubtful than a year ago" as to whether the conditions would be in place for healthy monetary union in 1999 - the planned starting date.

His comments provided a stark outline of the unpalatable choice that any future UK government will face later this decade if European monetary union goes ahead. However, his downbeat analysis is likely to be rebuffed by Mr Yves Thibault de Silguy, the European Union's monetary commissioner, who meets with UK businessmen and political leaders in London today and tomorrow.

Mr de Silguy hopes to see the meetings to win support for EMU. He will meet the opposition Labour party's shadow chancellor of the exchequer, Mr Gordon Brown, and the deputy prime minister, Mr Michael Heseltine. He will also promote the advantages of a future exchange rate mechanism to the those outside EMU to the single currency.

Sannel Brittan, Page 14

Sales of trucks (Jan-April 1996)

Volume (Units)	Volume Change (%)	Share (%) Jan-Apr 96	Share (%) Jan-Apr 95
Trucks (over 3.5 tonnes)			
Total	17,080	-6.8	100.0
Imports	10,325	-1.2	61.8
Vevo group (Fiat)	3,729	-5.5	21.8
Leyland Daf (Daf Trucks)	3,182	+15.6	18.7
Mercedes-Benz (Daimler-Benz)	3,009	-0.9	17.6
Scania (Investor)	2,235	+11.7	13.1
Volvo	1,890	-9.0	11.1
MAN	1,078	+8.9	6.3
RF	722	-51.3	4.2
Renault	655	+6.9	3.8
Of which Heavy Trucks (over 15 tonnes)			
Total	10,588	-7.5	100.0
Imports	6,236	+1.1	58.8
Volvo	1,759	-8.2	16.6
Leyland Daf (Daf Trucks)	1,719	+4.4	16.3
Vevo group (Fiat)	1,355	-6.1	12.8
Mercedes-Benz (Daimler-Benz)	1,154	-6.1	11.0
RF	722	-51.3	6.9
MAN	619	+12.1	5.9
Renault	481	+15.9	4.5

Names in brackets indicate ownership. Includes Vevo Ford and Soddon Allison. Source: Society of Motor Manufacturers and Traders and industry estimates.

Industry fears that a two-year recovery in the truck market is over were confirmed yesterday by figures showing a 14.6 per cent year-on-year fall in registrations of trucks of more than 3.5 tonnes last month, John Griffiths writes. Statistics from the Society of Motor Manufacturers and Traders showed that April's registrations fell to 4,257 vehicles compared with 4,983 in the same month a year ago. The market for the first four months of the year plunged to

6 per cent below the same period last year, with 17,080 vehicles registered compared with 18,169. Commercial vehicle sales are regarded as a useful indicator of economic activity. But the figures are sending out conflicting signals, as registrations of lighter commercial vehicles continued to be relatively buoyant in April. Total new commercial vehicles registrations last month were 0.8 per cent higher than in the previous April.

Rescued vanmaker seeks partners for new range

By Haig Simonian, Motor Industry Correspondent

A development partner, perhaps in Asia, is being sought by LDV, the British vanmaker which has risen from the ashes of the former Leyland Daf group. The company's choice of Samuel Moolagu, the Asia-based merchant banking arm of the HSBC banking group, as financial adviser underlines the belief of Mr Allan Amey, LDV chief executive, that LDV could find a partner to work on new vehicles.

Mr Amey believes companies in a number of newly industrialising markets could be interested in co-operating on a successor to LDV's current range. The new model would combine LDV's reputation for cost-effective products with more modern technology. Mr Amey said he expected the next 12 to 18 months to be occupied by discussions with potential partners. LDV's 1,500 employees will be hoping he finds a candidate quickly. "We are aware that the current structure of the company probably won't be suitable in the next three to five years," he

said. "Are we still going to be a private company in three years' time? I would doubt it." Mr Amey's candour stems from the fact that LDV is a minnow in a shark-infested sea. Last sales of just 15,200 vans last year, it ranks as the smallest of Europe's volume vanmakers. Moreover, almost all its business is in the UK, robbing it of the ability to ride out national business cycles by spreading its sales internationally.

Yet Mr Amey was confident that LDV had a future. The company had flourished in the three years since the collapse of Leyland Daf, he said. Production had climbed steadily, and turnover jumped 43 per cent to £216m (£326m) last year while pre-tax profits rose 27 per cent to £23.3m. Such figures have embarrassed the experts who predicted LDV was heading towards bankruptcy after its rescue. Instead, it has flourished by concentrating on simple, sturdy vans, which can be tailored relatively cheaply to the customers' individual needs. While bigger rivals, such as Ford and Fiat, produce many

times more vehicles, they generally come in fewer variants. That means fleet buyers who want special features, such as a sliding door here or a rolling door there, have to seek their own way to acquire vehicles to suit their needs. LDV does the job itself straight off the production line. The company hopes its new models and its move back into exports will lift sales to 17,000 vehicles this year. But while improved products and broader distribution will raise cash flow, they will not be enough to guarantee LDV's long-term future. In spite of styling changes, the new Pilot and Convo can be traced back to the 22-year old Sherpa van.

The new models may refresh the range sufficiently to carry LDV into the next century, but the company will eventually have to come up with a new product. That is where the trouble starts. Mr Amey reckoned a new van would cost £150m (£226.50m) to develop; many in the industry would put the figure appreciably higher. Either way, it is probably beyond the company's reach.

UK NEWS DIGEST

Ministers split on competition

The government should have no role in the creation of national corporate champions, Mr Ian Lang will say today in a speech to a conference on utilities, has many implications for British industry and the City of London, since as trade and industry secretary he plays a quasi-judicial role in deciding whether takeovers should proceed. At the conference, organised by the Adam Smith Institute, the free market think tank, Mr Lang will say that he will use his powers to stimulate competition in the utility industries. However, he will also make it clear that this philosophy underpins his approach to all takeovers, in whatever industrial sector.

Robert Peston, Westminster

Mergers watchdog is defended

Past and present members of the Monopolies and Mergers Commission have defended its handling of the electricity generators' bids for two regional distributors. They were responding to last week's resignation from the commission of Mr David Kinnersley, a former chief executive of North West Water who criticised the MMC's workings and called on other members to quit. Mr Kinnersley was speaking after Mr Ian Lang, the trade and industry secretary, blocked the bids by National Power and PowerGen for Southern Electric and Midlands Electricity despite an MMC recommendation that they should be allowed to proceed.

Commission members contacted by the FT rejected Mr Kinnersley's criticisms. One member, a lawyer, said: "I can't see any validity or strength in his points and I'm certainly not aware of unease or unrest in the commission. We're in a 'no win' situation."

Stefan Wagstyl, Robert Rice and Andrew Bolger

Equitas failure cover is offered

LLOYD'S Lloyd's of London Names are being offered the chance to buy protection against the possible failure of Equitas, the insurance market's planned rescue vehicle. The product, launched by Aon Re Special Risks, part of the Aon broking group, could help Lloyd's sell its planned recovery plan - of which Equitas is part - to Names, individuals whose assets have traditionally supported the insurance market. Equitas will take responsibility for billions of dollars of US asbestos and pollution-related liabilities and is intended to allow Names to draw a line under their affairs at Lloyd's and leave. Some Names fear that if Equitas has insufficient assets, they might face extra bills. The new product will allow them to protect specified assets against seizure.

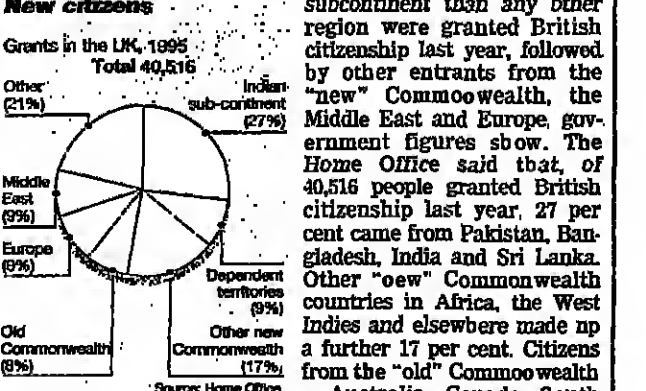
Ralph Atkins, Insurance Correspondent

Business park near airport

A £100m (£151m) business park is to be developed at Manchester Airport in northern England in a joint venture by Arlington Securities and Manchester City Council. The park will house about 4,000 jobs on a 20ha greenfield site near the airport's terminal buildings and hotels. The airport, owned by Greater Manchester's 10 local authorities, is the ninth largest in Europe.

Ian Hamilton Fazel, Manchester

Fewer gain citizenship



More people from the Indian subcontinent than any other region were granted British citizenship last year, followed by other entrants from the "new" Commonwealth, the Middle East and Europe. Government figures show that of 40,516 people granted British citizenship last year, 27 per cent came from Pakistan, Bangladesh, India and Sri Lanka. Other "new" Commonwealth countries in Africa, the West Indies and elsewhere made up a further 17 per cent. Citizens from the "old" Commonwealth - Australia, Canada, South Africa and New Zealand - made up 8 per cent of those becoming British. The figures mark a continuation in the gradual decline in the number of people awarded citizenship from 117,000 in 1989 and 85,100 in 1991. This happened despite a continued increase in the number of applications for citizenship from 43,000 in 1993 to 62,000 last year. Nearly 45 per cent of the grants were made on the basis of residence, with a further 30 per cent for marriage to a British citizen.

Mark Suzman, Social Affairs Correspondent

Workplace illness rises

The health of the British workforce leaves much to be desired, say two reports. Working days lost through strikes - once called the national sickness - are at their lowest level since records began in 1891 but evidence continues to mount that the new national sickness is sickness itself. With rising absenteeism costing around £100 (£16.6bn) annually, the government's Health and Safety Executive said that more than 2m employees each year were suffering ill-health either caused or aggravated by the workplace. The HSE's comments coincided with a report claiming that Myalgic Encephalomyelitis, otherwise known as ME, is costing nearly £1.5bn a year in benefits, medical bills and loss of government revenue. At least 150,000 people in Britain are thought to be affected by the illness, characterised by exhaustion and lethargy.

Michael Cassell, Business Correspondent

Ostrich farming attracts protests

Financial Times Reporters

Investors in ostriches were mocked by animal welfare campaigners outside the High Court in London yesterday as the Ostrich Farming Corporation warded off an application by the British government to wind it up.

Dressed as a "City gent" astride a pantomime ostrich, Mr Richard Hardy (right), of the Compassion in World Farming group, said the wild birds were ill-suited to life in small paddocks in a cold, wet climate.

But Mr Rob Collard, a Welsh ostrich farmer who is offering to ship birds belonging to OFC investors from a farm in Bel-

gium, said: "These are teething troubles for the ostrich industry, that's all."

The government's application to wind up the OFC was postponed after the company said it needed more time to prepare its defence.

Afterwards, one investor said: "We are all very concerned about the whole situation. We want it sorted out as soon as possible. The whole thing is a nightmare."

The Official Receiver was appointed in April as provisional liquidator of the OFC, which took millions of pounds from several thousands of investors by "guaranteeing" annual returns of more than 51 per cent.



US and S African governments face suits over weapons-to-Iraq case

By Jimmy Burns in London

The former British intelligence agent and company director at the heart of the arms-for-Iraq affair, Mr Paul Greician, yesterday said he planned to take legal action against the South African and US governments for wrongful imprisonment. Mr Greician arrived back in the UK from South Africa after a Johannesburg court rejected a US request for his extradition on charges of conspiring to sell artillery fuse components to Iraq in violation of an arms embargo.

He described the past six months, during which he was held in South African prisons while facing pressure from US officials, as a "disaster" which

has caused him and his family distress. "There is no doubt in anybody's mind that the Americans have not acted in very good faith, and that the action of certain officials in South Africa left grounds for serious concern," Mr Greician said at a press conference in the House of Commons organised by Ms Ann Clwyd, the opposition Labour party MP who has campaigned on his behalf.

Mr Greician was arrested in December by South African police on an Interpol warrant while visiting his fiancée, even though a British appeals court had just quashed his conviction for illegally exporting arms to Iraq via Jordan. Yesterday he accused a US

prosecutor of conducting a personal vendetta against him, and urged the UK government to intervene to have his Interpol warrant cancelled.

Mr Greician's release from South Africa followed intense behind-the-scenes discussions between senior officials at the Foreign Office in London and members of the Mandela administration.

A former director of Ordnance Technologies (Ordnatec), a British-based engineering company, Mr Greician was convicted in 1992 of illegally selling arms to Iraq. But the conviction was overturned last year after new evidence, withheld from the defence in the original trial, was uncovered by an independent inquiry

headed by Sir Richard Scott. Official documents showed the UK government had known UK arms were being supplied to Iraq via Jordan but had chosen to turn a blind eye. They also showed that Mr Greician had been among the first informants to provide the UK intelligence service MI6 with crucial information about the Iraqi supergun project.

US prosecutors are persisting with the case against Mr Greician, alleging that he used false end-user certificates showing that artillery fuse components were destined for Jordan to obtain an export licence for the US manufacturer, the New Jersey-based Rexon Technologies Corporation.

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ARTS

Cinema/Nigel Andrews

Growing up and rites of passage

WHITE SQUALL
Ridley Scott

MR HOLLAND'S OPUS
Stephen Herek

EXECUTIVE DECISION
Stuart Baird

STONEWALL
Nigel Finch

100 DAYS BEFORE THE COMMAND
Hussein Erekinov

Some constitutional imperatives are no less forceful for being unwritten. Just as America has her Bill of Rights, Hollywood has its Bill of Rites. It decrees that every male citizen, bar none, must go through some major testing experience, either to prove that he is a man or to learn some higher wisdom about life.

White Squall is a rite-of-passage movie about schoolboys growing up. *Mr Holland's Opus*, as an early captioned quotation suggests ("To teach is to learn twice": Joseph Joubert), is a ditto movie about a schoolteacher growing up.

The first film is based on a true story about a school ship that sank in a Caribbean squall in 1961, with 13 survivors and six dead. Tension, scenery and spectacle abound, along with the manhood lectures. The other, a Mr-Chips-with-everything-epic about 30 years in the life of music master Richard Dreyfuss, offers tears, comedy, family drama, more tears and a climax that for sheer schmaltz makes *The Sound of Music* seem like *Elvis Cio*.

White Squall, directed by Ridley Scott, is low art with a high art sheen. It looks like every sea painting you ever wanted to steal off a gallery wall. The rearing brigantines riding the high-glazing, silvered waves; the Turnerish storms blending their glottery, glowing half-col-

ours; the hot-tinted eroticism of hulls ashore.

Mind you, the maker of *Alien* and *Blade Runner* is getting careless with his exoticism when he strews Spanish moss and palm trees over an early scene set in nordic Connecticut (actually shot, and credits reveal, in South Carolina). And we scream louder at the phonic impositions that follow. This tale of boys on the briny under the rasping seas of Captain Jeff Bridges, now looking frighteningly like father Lloyd, becomes a excuse for two hours of contrived adversity and preachy inspirationalism.

Even before the squall strikes - ten fine minutes of shivering timbers and exploding water - we have had the boy with vertigo who is forced to climb the rigging, the boy with father troubles who harpoons a symbolic dolphin, and the boy who writes arch voiced-over diary entries like "Today I leave the path chosen for me".

The voyage and its horrors finally teach the lads, or the surviving ones, the virtues of teamwork and respect for authority. But if they had wanted to learn cracker-barrel wisdoms they could have enrolled in *Dead Poets Society*, which this film painfully, if at times picturesquely, resembles.

Mr Holland's Opus is silly too, but more lovable. Richard Dreyfuss wants to write the great American symphony but is stuck with teaching the great American unwashed. The place is an Oregon high school from the 1960s to the present day.

Like Michelle Pfeiffer in *Dangerous Minds*, Dreyfuss learns that it is no use knocking on his pupils' minds strutting away with high culture. So he puts on bold his own preferences to give them the Beatles instead of Bach, the toys instead of the 12-note system.

Judging by Dreyfuss's own compositions, which sound like Aaron Copland rearranged by Mantovani, he is hardly up there with the avant-garde himself. But this is just one of the ways in which the film has its virtues. It is a cake while eating a cheap and tasty one that looks the same.

Dreyfuss earned an Oscar nomi-



Jeff Bridges as the captain in Ridley Scott's tale of boys on the briny, 'White Squall'

nation for his gallant ageing feat, from boyish wig and bright pancake complexion to white hair and grumpy specs in 2 1/2 hours, but even he cannot steer us through so much manipulation without our feeling used and abused. There is the wife (Glenn Headly) who sighs, laughs and/or snuffles with him through every crisis. (Don't women have a life of their own? Not in Hollywood.) And there is the deaf son our hero neglects - lavishing time instead on the school's neezy black drummer and Auburn-haired clarinetist - until the multi-Kleenex moment when he sings a song especially for him, with sign language, at a deaf school concert.

The terrible thing is that the film jerks tears from us even as we despise our own gullibility. Reflexologists should look into this. Maybe it is the timing: a 150-minute press show on a light breakfast. Or maybe it is the magic of stars. When an actor like Dreyfuss puts his all into a role - shturps, tics, chuckles, whiplash asides, brimming eyes - we go along with the singer, even

while having doubts about the song.

As well as on sea and land, *Executive Decision* shows you can learn wisdom five miles up in the air. Over the Atlantic the passengers of a Washington-bound jumbo jet fall prey to a trigger-happy Arab hijacker (David Suchet) with prisoner-freeing demands. On board, the Pentagon learns, there is "enough nerve agent to blow up half the Eastern seaboard." Can CIA agent Kurt Russell and a crack commando troop stop him by boarding the plane? Secretly, and in mid-air?

We wish to say at this point that Mr Suchet is in no way representative of a just and tolerant race, as witness the Islamic henchmen who get shot when they dispute his commands. We also respect the right of religious extremist groups to provide much-needed distraction on long-haul flights. This group even allows a showing of the in-flight movie to the passengers, who must have begun to believe they were in the right movie.

Meanwhile a bomb must be

defused with perspiring tweezers down in the hold while up above - we are amazed at all the unused loft space in these planes - Russell must monkey-clamber about with surveillance tools. Between levels a stewardess (Halle Berry) must be lured into the troop's confidence by remote communication, so that she can gasp and gesticulate attractively for the video link-up.

It is all undemanding fun, right from the way from the surprise early exit of Colonel Steven Seagal during docking manoeuvres - sucked away by a cross-draught to another film - to the inevitable moment when a non-flyer must land the quaking, perforated plane.

With so many movies teaching us to be men how refreshing, in theory, to have *Stonewall* and *100 Days Before The Command*. The first is Nigel Finch's tribute to the 1969 Stonewall riots, when police and homosexuals clashed outside the eponymous bar in Greenwich Village.

The event has become so sacra-

mental in gay lore that it could do with some irreverence. Instead we get a Brechtian soap opera: 90 minutes of strutting, flouncing and aggro attitudinising - Miranda the drag queen who specialises in being thrown out of bars is especially tedious - wrapped up in dialogue to die for. "We deal in dreams," says someone. "I guess we're as American as apple pie."

The homosexuals in Hussein Erekinov's *100 Days Before The Command* are as Russian as cold cabbage soup. Not a smile from any of the unclothed and often unclothed gays in this anguished tale of forbidden love in the military.

Erekinov gained permission to shoot in an army base by giving the authorities a fake script. Unfortunately he did not have, on this evidence, a non-fake replacement. Stock training footage listlessly alternates with shots of naked men in bunkrooms or showers, as if crosscutting alone would conjure a drama and a narrative. Instead we come out humming the echoey barracks and bleak Slavic silences.

Opera
Lyrical Miss Julie

London's current passion for Strindberg's midsummer-night's scream of sexual attraction and class antagonism now moves to the operatic stage. The newly formed Opera (music director Philip Headlam) is a chamber opera company, the brainchild of Julia Hollander, one of the more exciting new talents in opera production (at ENO her *Fennimore and Gerda* garnered both brickbats and bouquets; her production of Buller's *Bacchus* made for unequivocally thrilling theatre).

For its inaugural production the company has chosen a composition by Margareta Hallin, herself a distinguished Swedish soprano - festival-goers with long memories may remember her blind, visionary poetess in Blomdahl's space-ship opera *Ariana* at Edinburgh at the dawn of the 1980s. It is a good choice, since without sacrificing any integrity, Hallin's score is accessible and emotionally quick to respond to the changing moods of the *amour fou* of the aristocrat and her father's manservant, Tonal, made up of snatches of melody and conversational flexibility, and with occasional hints of haunting folksong, the obvious companion is with a Scandinavian Jansiek.

Apart from the three principals (the third is the down to earth servant Kristin, a confident symbol of self-righteousness amidst the socio-sexual heresies that fester around her in the torrid midsummer air), the score calls for a string quartet. Led by Neil Catchpole, divided into two pairs diagonally facing each other across the studio space, the young players are as evocative as Paul Russell's lighting design in both accompanying and intensifying the mood; and sometimes commenting ominously, as in sinisterly sliding violin *portamenti*.

Hallin's characters are vocally well defined. The manservant Jean is allowed a lyrical outburst as he rhapsodises about the Alps and the lovers' projected escape to their own hotel, giving way to triple-time mockery as disillusion sets in. Both Kristin and Julie have moments of reiterated declaration on one note - despite the tragedy, the women are certainly commanding figures for misogynist Strindberg - while Julie's bright soprano can hint at hysteria and the ostinato obsessiveness, darkening into possession at the end. Kristin has her moment of chorale-like religious certainty.

All roles are well written for young voices, and are gratefully performed by Janet Mooney (Julie), Richard Hutton (Jean) and Rose Bellingham (Kristin). They make confident stage figures in Hollander's production, dominated by a spiral staircase that might have been flown in from Covent Garden's *Midsummer Marriage*, a visual reminder of the literal gulf between upstairs and downstairs that not even Inist can bridge for long. And the offstage Count's boots are as potent a symbol of arrogant, unassailable masculine authority as the late General Gable's pistols were for his little tomboy daughter, Hedda.

Martin Hoyle

Lytic Studio, Hammersmith, London W6 until May 18. Supported by Absolut Vodka, NIKECo, the Polonsky Foundation.

Theatre/Sarah Hemming

Feydeau farce with a hard edge

If there is a difference between English farce and the French farce of Feydeau, perhaps it lies in the fact that the English version of the genre is so often fuelled by embarrassment. Discovery, or the possibility of discovery, brings with it a sense of shame.

Whereas in Feydeau, certainly in Peter Hall's new production of *Mind Millie for Me* (*Occupe-toi d'Amelie*), the characters do not even have the redeeming grace of the potential for embarrassment: they are all so heartless and greedy that their sole motivation is not to be found until they have had time to pursue their frantic strategies.

Supremely translated by Hall and Nicky Freal, *Mind Millie for Me* is set in turn-of-the-century Paris and revolves around an upmarket courtesan, Millie, who is left to the tender care of Marcel, her lover's best friend, while her lover is away. She even agrees to a fake marriage with Marcel in order to boost his flagging fortunes by rendering him eligible

for an inheritance. But when her lover Etienne returns early and discovers that the two appear to have betrayed his trust, he takes his revenge by sabotaging the fake wedding so that the two are in fact joined as husband and wife.

In Hall's bright, brittle, eagle-eyed production the ruthlessness of these self-centred individuals is emphasised. Unlike some farces, which begin with near-normality and spiral out of control, here we appear to be in a world that is permanently beyond moral repair. Like all Feydeau's farces, the plot is an ingenious and precisely balanced mechanism that works brilliantly, but we feel as if we are looking in on just one revolution of a ghastly machine that continues long after we have left. The characters are all monstrous, the atmosphere is bubbling with hysteria right from the beginning, and the whole thing has a nightmarish quality, emphasised by Gerald Scarle's luridly coloured, slightly surreal sets.

This approach brings out Feydeau's despair at hypocrisy and moral bankruptcy - his savage satire of a society where rank is all, where a woman can be passed around like a bank-note and where marriage is the biggest disaster that can befall anyone.

The production whistles along at break-neck speed, is admirably detailed and often very funny. But you are never helpless with mirth: since the characters have no warmth there can be no real sense of betrayal, no real anguish and no truly desperate comedy - you cannot laugh heartily in sympathetic recognition of their predicament.

That said, the line Hall has taken is expertly executed and sustained, and the cast give superbly polished, frantic performances. Most have found a key to their parts in movement: Nicholas Le Prevost's ramrod Etienne stalks stiffly like a jointless dummy; Neil Pearson's manic Marcel bounces as if propelled round the stage by invisible springs; his

voyeuristic Dutch uncle, pink-faced and carrot-haired, waddles around like a wind-up toy (a delightful performance from John Fraser). There are enjoyably witty performances too from Peter Elythe as a pompous, paunting prince and Robert Lang as Millie's fumbling, yawning father.

The show is carried along, however, by Felicity Kendal as Millie, who succeeds in combining blatant acquisitiveness with oodles of charm. Hers is the one character who seems to have a beating heart - when she realises that she has become a wife, she suddenly changes tack, suggesting that beneath the coquettish invincibility lies a yearning for something deeper. But for the most part this is a perfectly-turned, hard-edged production displaying human grabbi-ness like an overturned anthill.

Continues at the Theatre Royal, Haymarket, London (0171-930 8600).



Felicity Kendal as Millie carries the show along. Alastair Miller

INTERNATIONAL
ARTS GUIDE

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Juliane Banse, Christoph Prégardien and Michael Gees: the soprano, tenor and pianist perform works by Wolf; 8pm; May 14

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203080
● Concerto Köln: and pianist Andreas Staier perform works by Mendelssohn, Albrechtsberger and Varhat; 7.30pm; May 12
● Don Quixote: by Kierulff. Performed by the Rundfunk-Sinfonieorchester Berlin and the Ernst Senff Chor, conducted by Gustav Kuhn. Soloists include sopranos Celina Lindesley and Kistina Blauk, mezzo-soprano Michelle Bredt, alto Gabriele Schützgenbach, tenors Kurt Westi and Robert Wörle, baritone Wolfgang Schöne and Dietrich Henschel, and basses Thomas Hay and Andreas Kohn; 7.30pm; May 11, 12

Philharmonie & Kammermusiksaal

Tel: 49-30-2614383
● Berliner Symphoniker: with conductor Alun Francis, pianist N. van Oosterum, violinist S. Viersen and cellist L. Groeneveld perform Beethoven's overture to Fidelio and Symphony No.5 in C minor; 4pm; May 12
● OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Alfredo Kraus: masterclass by the tenor, featuring Camille Capasso, Abbia Furmanskij, Marten Ernst Lassen, Raffi Lukas, Mathias Schutz and others; 11.30am; May 12

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Carmen: by Bizet. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include F. Ingle, I. Bartz, I. Zanic, T. Karlson, P. Naviglio and C. Conde; 7pm; May 11, 14 (8pm)

BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078468
● August Sander. Le Port Transbordeur: exhibition devoted to the work of the German photographer August Sander. The display includes historical documents and more than 200 photographs, including photographs for his life-work *Menschen des 20. Jahrhunderts* (People of the 20th Century); to May 12
● OPERA
Théâtre Royal de la Monnaie

Tel: 32-2-2291200

● Pelléas et Mélisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pedroni and Nathalia Stutzmann; 3pm; May 11

COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Eugene Onegin: by Tchaikovsky. Conducted by David Levi and performed by the Oper Köln. Soloists include Schweikart, Döring and Andonian; 8.30pm; May 10

COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 14 10 02
● La Forza del Destino: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Danish Opera. Soloists include Gitta-Maria Sjöberg, Per Hoeyer and Stephen O'Mara; 8pm; May 11, 14

LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● The Royal Philharmonic Orchestra: with conductor Owen Arwel Hughes, tenor Thomas Allen and the Royal Choral Society perform works by Holst and Walton; 7.30pm; May 12
● EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6938254
● Soane and Death: a major group of drawings from the Sir John

Soane's Museum on the theme of tombs and monuments is displayed in an exhibition exploring Soane's interest in memorials and death rituals. The Dulwich Picture Gallery itself contains one of the most important of Soane's mausolea, designed for the bodies of the Gallery's founders; to May 12
● OPERA
London Coliseum Tel: 44-171-8380111
● Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; 7.30pm; May 10
● THEATRE
Barbican Theatre Tel: 44-171-6388891
● The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence; 7.15pm; May 10

MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Enrique Garcia Asensio and piano duo Rentería-Matute perform works by Espá and De Falla; 7.30pm; May 10, 11, 12 (11.30am)

MUNICH

CONCERT
Philharmonie im Gasteig Tel: 49-89-4809825
● Tokyo Symphony Orchestra: with conductor Norichika Iimori and pianist Markus Schirmer perform Takemitsu's *Nostalgia*, Mozart's *Piano Concerto in C major, K487* and Tchaikovsky's *Symphony No.5*; 8pm; May 12

NEW YORK

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● Collection in Context: Willem de Kooning's *Door Cycle*: exhibition recounting a series of paintings created by De Kooning in the mid-1950s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfers of the door images, as well as photographs by Hans Namuth of De Kooning working on the series; to May 26

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Ingo Metzmacher and pianist Deszö Rányi perform works by Dusapin, Stravinsky, Webern and Mahler; 8pm; May 10
● EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Miquel Barceló: exhibition of large paintings and sculptures by the Spanish artist; to May 12

SAN FRANCISCO

CONCERT
Herbst Theater Tel: 1-415-398-6499
● Julliard String Quartet: perform

works by Mozart, Beethoven and Sessions; 8pm; May 11

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Swedish Opera. Soloists include Anders Lorentzon, Pauletta de Vaughn and Jerker Arvidson; 7pm; May 10, 13

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● The Met-Orchestra New York with conductor James Levine perform works by Wagner, R. Strauss, Bartók and Gerstwin; 7.30pm; May 11

WASHINGTON

EXHIBITION
National Museum of American Art Tel: 1-202-357-2700
● Contemporary Printmaking in America: Collaborative Prints and Presses: for three decades the collaborative printmaking workshop in the US has had a significant impact on visual art. Ninety works on paper, created by artists in collaboration with more than 35 printers, provide an overview of this development in contemporary art; from May 10 to Aug 4

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09.00
Squawk Box

10.00
European Money Wheel

16.00
Financial Times Business Tonight



Economic Viewpoint • Samuel Brittan

Take away that gloom

The UK economy is doing better than a superficial look at some figures suggests. But it is unlikely to produce a sufficient recovery in the government's standing

A favourite theme of Michael Heseltine, the British deputy prime minister, is that an economic upturn, in which the consumer clearly gains, will provide a powerful political boost to the government of the day and could even get it re-elected in spite of heavy odds. I have never been quite able to understand why the party in power is supposed to derive a bonus from the economic growth that occurs naturally in most western economies in most years.

I cannot imagine Mr Heseltine would like an unusually rapid boom which would have to be reversed after an election. Even if he did, the financial markets would realise what was happening very quickly and there would be no shortage of Blairite commentators to translate his message to a cynical and suspicious electorate. There has been some increase in commodity and oil prices, and bond markets worldwide have reacted nervously to quite a moderate surge in US growth.

Even now, too many analysts see weaknesses and dilemmas that are mainly in the mind's eye. It is true that the flash estimate of first-quarter UK real domestic product shows growth still looking pretty sluggish. Real GDP rose by only 2 per cent over the year before and only 1.6 per cent over the previous quarter at an annualised rate. This compares with estimates of an underlying growth of productive capacity of around 2.4 per cent.

A longer perspective at first makes matters seem even worse. Real GDP is only 8.4 per cent above the level it reached at the end of 1990, when the economy was officially regarded as operating around its equilibrium - ie without any gap between actual and sustainable output. This seems to mean that either underlying performance has deteriorated dramatically, or at the least that there remains a large negative gap between actual and potential output. In some people's terminology, the recession has never really ended.

Other analysts worry more about the composition of growth. When the recovery first started after the last recession it was led by the export sector, and manufacturing saw the greatest gains. But the service sector has since taken over the lead and manufacturing has been stagnant since last summer. The main dynamic element in the economy now comes from consumers. Moreover, unintended inventory accumulation continues, suggesting that the growth pause may well continue for some months longer, as the stock adjustment has further to run.

Most of the above concerns suggest that output is too sluggish and that policy is too restrictive. Yet there is plenty for those who always look for indications of a revival of inflation. Broad money growth is fairly high, not only in the UK but in most members of the Group of Seven industrialised countries. There has been some increase in commodity and oil prices, and bond markets worldwide have reacted nervously to quite a moderate surge in US growth.

But even if one treats these monetary and financial indicators as no more than amber signals, there is not much case for lower interest rates. Many of the direct effects would be on the consumer sector, which hardly needs stimulation. Another effect - other things being equal - would be to weaken sterling. And it would take a brave person to suggest that the British economy needs still more devaluation.

Yet there is an interpretation of events, which is less slavishly dependent on official figures and which makes much more sense. Home demand is growing at an adequate rate. The element of sluggishness is introduced by the depressed behaviour of continental export markets. It is reasonable to leave some room in the economy so that exports can take up some of the slack when the continental economies recover. There are already signs that Germany may be turning the corner under the influence of repeated if helated

interest rate reductions. There are, furthermore, plenty of straws in the wind to suggest that UK economic growth is understated by official estimates. The accompanying table is an alternative interpretation provided by the Centre for Economic and Business Research. The centre accepts the unemployment figures at face value. It takes a more pessimistic view of employment growth than the official statistics, but this is more than offset by an optimistic view of productivity growth, based on survey data and on new types of businesses or products which official statisticians - through no fault of their own - cannot easily take into account.

The net result on the centre's estimates is that in the course of 1995 UK real GDP rose by nearly 3 per cent instead of the nearly 2 per cent estimated officially. The alternative presentation has the merit of stopping us from beating our breasts about growth when unemploy-

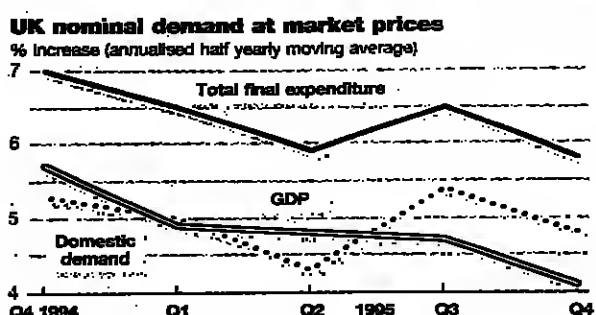
ment has been dropping. The state of the economy can be best approached through the behaviour of nominal GDP - that is GDP before the statisticians separate it into volume and price changes. Measured at factor cost - which has the effect of removing indirect tax distortions - nominal GDP has been rising since the end of 1994 at an annual rate of 4 per cent or less. That is well below the 5 or 6 per cent consistent with non-inflationary growth. But it would be foolish to use this measure on its own.

It is no use just crying for policymakers to adopt nominal GDP as a philosopher's stone, or it will suffer the discredit that money supply and exchange rate targets have suffered and that inflation targets will surely suffer. The heads of the two main non-official forecasting institutes now say they favour the use of nominal measures as a guideline. It will only make progress if they use it in detail in their own regular analysis.

UK performance: an alternative interpretation

Change between Q4 1994 and Q4 1995	Official figures	Alternative interpretation
Real GDP growth	1.9%	2.9%
Productivity growth	0.7%	2.2%
Employment growth (%)	1.2%	0.7%
Employment growth (number)	298,000	183,000
Growth in working population	116,000	0
Fall in unemployment	183,000	183,000

Source: CEBR



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It is no use just crying for policymakers to adopt nominal GDP as a philosopher's stone, or it will suffer the discredit that money supply and exchange rate targets have suffered and that inflation targets will surely suffer. The heads of the two main non-official forecasting institutes now say they favour the use of nominal measures as a guideline. It will only make progress if they use it in detail in their own regular analysis.

Nominal GDP is one of a family of measures to be examined in conjunction with each other. Others include total final expenditure, which includes imports, and there is domestic demand, which excludes both imports and exports.

Unfortunately the only estimates for these other series are at market prices - rather than at factor cost - and the register are therefore too high. But the relative figures do tell us something. The two other demand measures - total final expenditure and domestic demand - have been growing at higher rates and have veered less towards deflation than GDP itself. One does not have to be a balance of payments fetishist to suggest that the government should leave well alone and leave it to the external side to take up slack.

I am sometimes told that New Labour may adopt a nominal GDP objective, as if that were something for which I should feel personally grateful. The approach makes sense only as part of a wider framework of analysis which was once dubbed "monetarism without mysticism". The approach will fail if it is treated as a way for Labour to smuggle real output targets in by the back door while not realising that the whole point is to show that real output cannot be directly controlled by the Treasury or any other central organ.

The recent announcement by Gordon Brown, the Labour Treasury spokesman, that the Treasury would be responsible for real growth arouses suspicions that real growth targets may indeed be the intention. Apart from anything else, the Treasury is not particularly good at stimulating growth - except very indirectly insofar as the Treasury is an obstacle to sectional spending lobbies. It would be sad if we had to learn all the lessons of the early 1960s all over again because of the difficulties official statisticians have in estimating productivity gains.

BOOK REVIEW • Richard Tomkins

ASHES TO ASHES: America's Hundred-Year Cigarette War, The Public Health And The Unabashed Triumph Of Philip Morris
By Richard Kluger
Alfred A. Knopf, 807pp, \$35

Damned by denials after age of innocence

Perhaps the greatest tribute one can pay to this monumental history of the US cigarette industry is that, at the end of its 807 pages, it is impossible to say with certainty whether or not he smokes. Such objectivity is rare on an issue where the level of debate tends to hover close to the edge of hysteria.

Arguably, hysteria is an appropriate reaction to what cigarette manufacturers do. In the US, smoking is the biggest single cause of premature death, taking the lives of an estimated 400,000 people a year. In the wider world, cigarettes have probably killed as many people this century as have fallen in all its wars.

Moderate language, it could be said, is inadequate to convey the necessary sense of outrage over death on such a scale. Yet cigarettes are not the only legally manufactured products that kill. Guns have a bad record, and cars take a terrible toll. Alcohol not only kills when consumed to excess, but causes many social problems. Sugar, salt and fat claim lives.

Richard Kluger asks whether cigarette manufacturers are businesspeople much like any others, purveying a product that turned out to be hazardous long after it had become established in society, and now sorely abused by health fascists and moralising busybodies; or whether they are moral lepers preying on the ignorant, the miserable, the emotionally vulnerable and the genetically susceptible.

It is a question he never quite answers. But ultimately he allows the industry to damn itself, circling in painstaking detail its continued denial of the causal connection between smoking and disease long after the evidence had become irrefutable.

Before the cigarette companies enjoyed what now seems like an age of innocence, and the first part of the book is a rollicking tale of the rise of one of the world's most successful consumer products. As the book's subtitle suggests, Philip Morris figures prominently in the story. The company started life as a small tobacconist in London's Bond Street founded by the eponymous Mr Morris in 1847. It opened a New York branch in 1902, but this was bought out by US investors in 1919. From there, the US operation began its climb to supremacy - greatly accelerated by its transformation of Marlboro from a low-volume women's cigarette into a male lion.

Hucksterism was rampant in the industry's early days. The book relates how American Tobacco, the company founded by the legendary Buck Duke, pushed its Lucky Strike brand to the number one slot in the 1920s by claiming that an extra-secret "toasting" process - in reality, no different from the normal process - removed throat irritants from the tobacco. It then wrote to doctors asking them to try Lucky Strike and offering them five free cartons if they agreed it was the least abrasive brand on the market. Soon after, its advertisements proclaimed: "20,679 Physicians Say Luckies Are Less Irritating..."

At first, such stories entertain as well as inform. But the book takes on a more sombre tone when it reaches 1960, the year in which parallel studies in the US and Britain found the first evidence of a link between smoking and lung cancer. From the start, the industry refused to acknowledge the connection. In the words of one of its allies, a Chicago surgeon, Dr Max Cutler: "Simply because one finds bullfrogs after a rain does not mean it rained bullfrogs."

Soon after the pivotal point of the hook is reached in a memorable quotation from Parker McCormac, then chief executive of Philip Morris. Responding to the mounting health fears, he said: "If the industry leaders really believed that cigarettes cause cancer, they would stop making them." It was untrue then, and it is untrue today. But it does raise a fundamental question: if the tobacco companies are not going to stop making cigarettes of their own accord, just what should be done about the industry?

At present various groups of lawyers are trying to sue the US tobacco companies out of existence, but no one has wrung a penny out of them yet. Some anti-smoking activists argue for prohibition, but it did not work for alcohol, and no government wanting re-election would attempt it.

In the final pages Kluger cannot resist shrugging off his role as historian and looking for a possible solution. With hostility against the industry mounting, he says, it is only a matter of time before a lawsuit succeeds. Instead of fighting the bitter end, he asks, why do the companies not do themselves and society a favour by seeking an accommodation?

Kluger suggests that Congress should give the industry a blanket exemption from all personal injury claims in return for a doubling of the tax on cigarettes and a series of measures aimed at discouraging smoking - for example, a phased reduction of tar and nicotine yields, severe restrictions on advertising, and the use of the extra tax yield to finance "quit clinics".

Probably, he says, it is too much to hope that this will ever happen. But it serves as an unusually sane conclusion to an unusually sane book.

Ashes to Ashes is available from FT Bookshop by ringing FreeCall 0500 415 415 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873-5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Credit where it is due

From Mr Mwanengela Ngali.
Sir, I was surprised by Mr Karl Ziegler's remark (Letters, May 2) that the World Bank and International Monetary Fund often waived their qualifying macroeconomic demands for "political reasons" and listed Kenya as one of those countries which failed to realise such demands.

I would refer you to the statements made by the IMF's managing director, Mr Michel Camdessus, on his recent visit to Nairobi. At a news conference, Mr Camdessus gave a glowing review of Kenya's economic reforms in the past three years and said the IMF was delighted by a government economic paper - released earlier this year.

This hardly sounds like a country which had failed to live up to its responsibilities in IMF terms. Indeed, your editorial "An Africa lesson" (May 3) pointed out that the successful privatisation of Kenya Airways had demonstrated that in an appropriate economic environment "inefficient loss-making public corporations can be turned into successful ventures, capable of attracting foreign partners".

It is surely to the credit of the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief in Africa countries, should occasionally give credit where it is due.

Mwanengela Ngali,
high commissioner,
Kenya High Commission,
45 Portland Place,
London W1N 4AS, UK

In the picture

From Ms Claudia Binaghi.
Sir, Were the prices high or low ("Good prices for Impressionists", May 4/5)? Next time please choose a better adjective.

Claudia Binaghi,
71 West 109th Street,
Apt 5B,
New York, NY 10025, US

Limitations of US pollution goal

From Mr Mans Lännoth.

Sir, The article on tradeable permits of sulphur emissions in the US ("For sale: a licence to pollute", May 5) should not be allowed to disguise two central issues.

First, the US goal is surprisingly limited. When compared on a per capita basis, the US emissions were in 1993 some 15 times the Japanese emissions and some 10 times the west German and Swedish emissions. The US emissions are in fact on east European levels. Present indications are that the Polish and the Czech

per capita emissions levels will be below those of the US within some five years.

Second, the Swedish system of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists. The Swedish fee means that the energy plant-owner pays a fee to the Swedish Environmental Protection Agency for every ton of nitrogen oxide emitted. Total revenues are redistributed to the plant owners based on the amount of

energy produced. Thus, plants with low emissions per unit of energy produced are net receivers while those with high emissions are net payers. Nitrogen oxide emissions were reduced by 50 per cent between 1990 and 1994.

What would Shakespeare have said of the US sulphur policy? "Much ado about nothing?"

Mans Lännoth,
state secretary,
Ministry of Environment,
S-103 33 Stockholm,
Sweden

Trade needs stability, not tinkering

From Mr C.M. Purvis.

Sir, Your leader "World trade at risk" (May 7), shows an unhelpful touch of paranoia about developments in world trade. I believe there is currently a higher threat to the open multilateral trading system from a rush into the ambitious new initiatives proposed in the leader - which would lead to new tensions being generated - than there is from a period of consolidation for the World Trade Organisation.

It would certainly be counter-productive to begin tinkering, less than three years

after the end of the Uruguay Round, with agreements on sensitive issues which negotiators painstakingly worked out at the close of the Round, and on whose basis economic operators throughout the world have subsequently based their strategies and investment programmes.

Trade in textiles is a case in point: liberalisation is being progressively implemented according to an agreed timetable, and the acceleration of this by the European Union on a unilateral basis (as your leader proposes) would simply resurrect old conflicts which I

had hoped had been buried once and for all by the Uruguay Round.

A period of stability and reflection may be less exciting than a rush into new initiatives; however, it is also, at this stage in the WTO's development, immeasurably safer for the world trading system.

C.M. Purvis,
director-general,
International Rayon and Synthetic Fibres Committee,
Avenue E. Van Nieuwenhuyse 4,
B-1160 Brussels, Belgium

Consistency key to fund management

From Mr Stuart A. Fowler.

Sir, Barry Riley, in his profile in the Pension Fund Investment Survey of Gary Brinson ("US manager with balance", May 2), shows a keen ear for the sound bite, picking up Brinson's comment about being underweight in the overvalued but outperforming US stockmarket, "being too early is indistinguishable from being wrong".

Investment managers do not help their own cause when, as they often do, they pretend that they are strong enough to stand up to statistically unsound tests of their performance.

Absolute and relative market returns are mostly, like individual stock returns, random and unpredictable. To

the extent that patterns of return behaviour can be identified and exploited within this context of largely efficient international markets, the ability of an active manager to do so will only be revealed by a long series of decisions over time. An active approach that can keep the proportion of errors to 45 per cent of all decisions could be a huge winner even though the absolute number of errors is high. The pension trustee needs to judge the approach, not the individual decision.

It is quite feasible that a fund could appoint two managers with very different approaches: one driven by short-term price trends (overweight in the US) and one by long-term value

(underweight in the US). Provided there is enough evidence of short-term trend persistence in international market returns, the trend follower may have a good method and being overweight the US is consistent with it. If there is enough evidence of longer term mean reversion in market returns, the value investor may also have a good approach and being underweight the US is consistent with it. Consistency with a method that appears to be a right, even if not exclusively right, is the key.

Stuart A. Fowler,
Dyner Investment Solutions,
69 Donerale Street,
London SW6 6EW, UK

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FINANCIAL TIMES

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Thursday May 9 1996

The City sans Emu

The bond markets are convinced that European monetary union (Emu) will go ahead despite the likelihood that important countries at the core will fail to meet the Maastricht convergence criteria. They are equally convinced that Britain will not be in at the outset. That belief will have been reinforced by the reservations being expressed by the governor of the Bank of England, Mr Eddie George. The City of London will thus be obliged to conduct its own cost-benefit analysis of life on the outside. It will probably conclude, rightly, that the risks are greatly exaggerated, only to be exonerated for its complacency by the pro-European lobby.

Any analysis is dogged at the outset by the lack of UK data distinguishing between international and domestic financial business. Figures for the City's various activities are also of mixed quality. And as the recent City Research Project conducted by the London Business School has shown, there is a serious lack of data on the net revenues or value added from interbank business in foreign exchange, which matters greatly in relation to Emu.

The job numbers provide a misleading indication of what is at stake. In 1991 more than 300,000 people were employed in banking, insurance and other financial services in London. This figure rises to more than 600,000 if law, accountancy and related business services are included. Clearly the 33 per cent jobs growth over the previous decade was not all in international business. But the numbers need to be seen in context.

Two cheers for South Africa

South Africa has cause to celebrate. Yesterday's agreement on the new constitution, embodying the democratic principles which the country's main parties endorsed two-and-a-half years ago, is a remarkable achievement. A society which for 350 years was based on racial discrimination and white minority rule has painstakingly negotiated a document which attempts to strike a balance between majority rule and minority and individual rights.

Scenarios may say that this has been tried before in Africa and failed. But never in the continent's post-independence history has a constitution been so carefully crafted, and so assiduously protected by a series of checks and balances, which range from efforts to decentralise government to curbs on the power of the state through an entrenched justiciable bill of rights.

Still unhappy

The National party has succeeded in ensuring that there can be schools in which Afrikaans will be the main medium of instruction. In return, it has grudgingly accepted that property rights are adequately protected in the bill of rights, which guarantees owners against expropriation without compensation. Mr F.W. de Klerk, the NP leader and deputy president, is obviously still unhappy. He hinted that his party may withdraw from the government of national unity. That has understandably unsettled the markets. Celebrations should be muted for another reason. Local government elections have had to be postponed in the province of

markets wherever possible. Yet the open market operations of the European central bank are unlikely to be particularly significant. Exclusion from a euro settlement system, on the other hand, would make it more costly for banks to operate out of London. It is impossible to tell, at this early stage, how far London would be able to muscle in on the new single money market in euros and the related derivatives trade.

Offshore incentive

That said, any move to impose reserve requirements or other restrictions on participants in the core would act as a tax on banks, which would then have an incentive to go offshore to London. Nor should it be forgotten that any protectionist move to bolster Paris or Frankfurt would penalise those continental banks which have just laid out huge sums in acquiring British merchant banks in London.

Yet in all this, it is important to recognise that the contribution of foreign exchange dealing, in terms of jobs and value added, is unlikely to be very large in relation to the overall picture. Foreign exchange is a great British growth industry, but a cottage industry for all that. As for the European government bond market, this is hardly exciting business when your country is seeking to reduce budget deficits and related borrowings. The City's real international strength has anyway been in unofficial markets. Most of its fastest growing businesses such as cross-border corporate finance, international fund management and derivatives trading will be untouched by Emu.

The areas under threat from Emu are few and unimportant, especially when seen in the context of the wider economy. More likely threats to City jobs might come from increased global competition, hostile fiscal or regulatory change, or an erosion of the City's skills base. There is anyway a tendency in this debate to forget that in a flexible market economy resources can be redeployed to good effect in other sectors. There are good and bad arguments for UK participation in Emu. Invoking the supposed vulnerability of the City is one of the worst.

Drugs giant on the sidelines

Much of the pharmaceuticals industry is restructuring, but Roche is playing down talk of acquisitions, its top executives tell Daniel Green

It is party time at Roche, the Swiss drugs company. Roche executives have devoted this year to celebrating its centenary, complete with commemorative books, concerts and special dividends for shareholders. The festive mood, however, is not reflected in the stock market, with the company's share price underperforming the pharmaceuticals sector since the middle of last year. The profitability of Roche, Europe's third largest company by market capitalisation, remains the envy of rivals. But investors fear that it may be starting to lose its pre-eminent position as competitors merge and as its rate of profit growth slows.

When Mr Fritz Gerber, chairman since 1978, addresses shareholders at next month's meeting, the company will almost have fallen out the top ten in the global pharmaceuticals league table by sales. It was number five in 1993. It is also about to lose its position as Switzerland's biggest drug producer for the first time in living memory - to Novartis, the merged company to be formed by Ciba and Sandoz, its Basle rivals.

The company achieved its market capitalisation through extraordinary growth in earnings per share, which averaged 26 per cent a year over the last five years. But much of the growth has been attributable to cost-cutting rather than sales growth which has been 22 per cent in total between 1991 and 1995.

Analysts forecast that growth in earnings per share will fall to 14-16 per cent for 1996 to 1998 - still high for the sector but no longer exceptional. In anticipation of this slow-down, a decade of extraordinary share price growth has come to an end. Between 1986 and mid-1995 the value of Roche non-voting shares - the most widely held - increased nine-fold, more than twice as much as the world pharmaceuticals sector as a whole. Since then, the shares have stagnated - underperforming the rest of the drugs sector by 10 per cent in the last nine months.

Roche has a history of growth by acquisition - it has spent \$FR15bn in the past seven years including \$5.6bn on Syntex, a Californian drug company in late 1994. Since the share price began to underperform, there has been a series of rumours that it was about to bid for a mid-sized company in its sector. Such a deal would boost Roche's management to allow earnings growth by cutting overlapping parts of the businesses and adding the acquired company's products to those sold by its own salesforce.

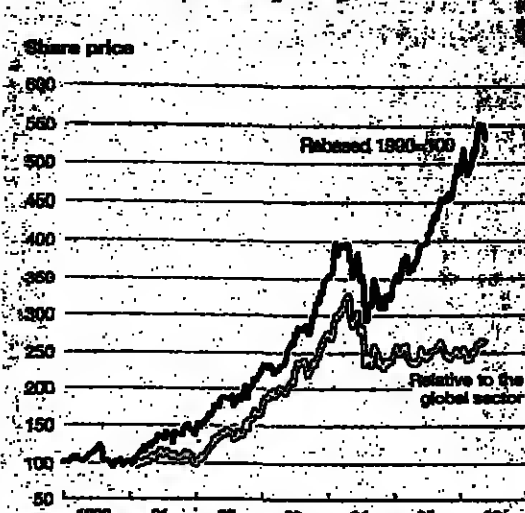
Top of the speculators' list of likely targets is Zeneca of the UK, and US companies Schering-Plough and Warner-Lambert. The first two especially would bring fast-growing new drugs to Roche's portfolio.

"Mid-sized" is a relative term in the drugs sector: buying any of these companies would break takeover records. Zeneca's market value is \$20bn, Schering-Plough's \$21bn and Warner-Lambert's \$15bn. The last few takeover deals in the sector suggest that a premium of 30 per cent to 50 per cent is needed to make a takeover attempt work.

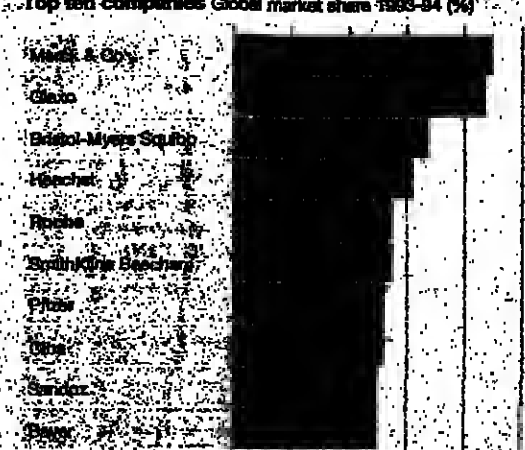
There is no doubt Roche could afford such sums. Its market capitalisation is more than \$75bn, putting it among the top three global drugs companies.

But Mr Gerber believes the world's markets are wrong to believe that Roche must buy something big. "It's no secret that we follow the market (in drug companies) to see who might be the best fit with us, but we do not have a fetish for market share," he says.

Roche: can the party continue?



Top ten companies Global market share 1990-94 (%)



Top ten companies Global market share 1995 (%)



The size of a pharmaceuticals company matters only as far as controlling the cost base. We do not need to be in the top five or 10 to be effective.

Such sentiments run contrary to the mood of much of the industry. Other chief executives, notably Sir Richard Sykes at the UK's Glaxo Wellcome, have made no secret of their willingness to make further acquisitions if they see their rivals buying market share.

But Mr Franz Hummer, the cigar-chomping head of the pharmaceuticals division for almost 18 months, is even more defensive than Mr Gerber. He says there is no reason for Roche to make an acquisition.

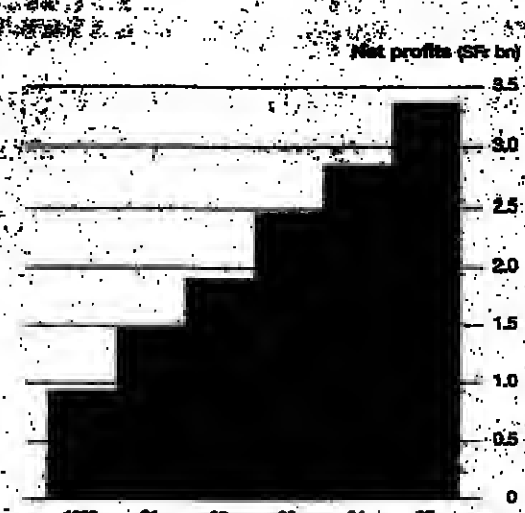
Earnings growth will pick up again thanks to new drugs such as Cellcept, which helps to prevent transplanted organs from being rejected by the body, and Inverse, which interferes with the reproduction of the AIDS virus. Analysts at London stockbroker James Capel forecast these two drugs will contribute \$FR1bn a year to Roche's annual revenues of \$FR14.7bn.

Roche's leadership is careful not to rule out acquisitions altogether. Under Mr Henri Meier, chief financial officer since 1985, the company has amassed cash and investments of about \$FR15bn (\$2bn) - \$FR5.6bn net of borrowings.

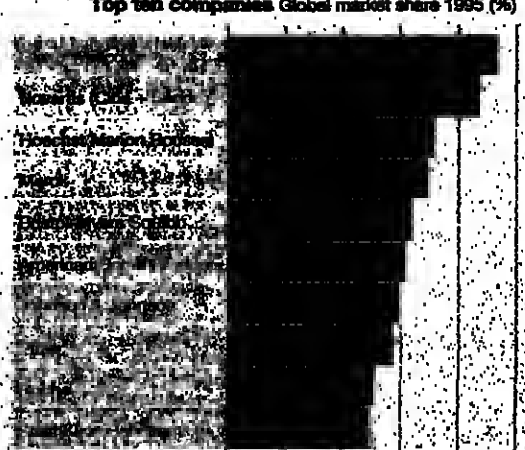
But Mr Meier says: "Hostile bids are not our style. We don't like the fight." Nor is Roche interested in diversifying into drug distribution, a route taken by some rivals, such as Merck and Eli Lilly of the US and SmithKline Beecham of the UK.

Mr Gerber says that the drugs manufacturing business is already diversified enough to spread risk. He says that the kind of money needed to buy a Zeneca or Schering-Plough - would be very risky. "I have never done an acquisition

Roche: can the party continue?



Top ten companies Global market share 1990-94 (%)



Top ten companies Global market share 1995 (%)



acquisitions would probably not be in areas where the company is already very strong, principally medicines used in hospitals.

Potential takeover targets are subject to a screening process to limit the risk of a deal. For example, fear of litigation has turned Roche away from female health areas, such as breast implants and oral contraceptives.

And companies with portfolios of old drugs are less attractive because of the risk of heavy competition when patents expire. Roche bought Syntex for its drugs in research, not for Naproxen, the arthritis tablet that made Syntex's fortune in the 1980s, says Mr Meier.

Mr Meier also regards bigger deals as bigger risks. Spending \$200-\$300m - the kind of money needed to buy a Zeneca or Schering-Plough - would be very risky. "I have never done an acquisition

that, if it failed, would jeopardise the existence of the company," adds Mr Gerber.

Furthermore, there is nothing wrong with accumulating cash, says Mr Meier. "Our aim is to have a cost of financing of less than 2 per cent, and we've never been able to spend as much as we could borrow at that rate."

Mr Meier likes to be a fund manager. A former Handelsbank executive board member and author of a book on Swiss capital markets, he cannot conceal his pride in the performance of the fund he manages. "We've beaten every index we can find," he says, adding that any acquisition would have to meet the same investment criteria he applies to the cash.

London-based analysts at Lehman Brothers, the stockbroker, calculate that he has earned a better return for Roche in managing this capital than from its main businesses in drugs, vitamins and fine chemicals.

Yet Mr Meier concedes that the money spent on Syntex has not yet brought the return it would have earned if the money had been left in his hands to invest elsewhere. Indeed, with the benefit of hindsight, Roche's last few acquisitions stand out for their boldness in commercial terms rather than for the quality of their financial returns.

The Syntex deal was the first in a series of mergers and acquisitions in the industry. Roche was also the first pharmaceutical group to take a multibillion dollar stake in a biotechnology company when it paid \$2.1bn for 60 per cent of Genentech in 1990. Today Genentech barely makes a profit.

And in 1991 Roche led the field by spending \$300m on a technology that amplifies very small samples of genetic material and is used for diagnosing disease. Since such acquisitions bolster the group's research and development rather than lead directly to products, the return on the investment is hard to measure.

Mr Gerber remains enthusiastic about the possibility of adventurous deals. He says that rather than launching a bid, Roche could consider large-scale asset swaps with rival drugs companies, something not attempted in the restructuring of the world pharmaceutical industry in recent years. He does not elaborate, but Roche has businesses in vitamins and specialist chemicals that could rationally be separated from the bigger prescription medicines operation.

Mr Gerber all but rules out mergers such as that at Sandoz and Ciba. "The Sandoz-Ciba merger is a way for them to get rid of non-core businesses. Roche did that years ago," says one senior Roche executive.

Roche executives like to give the impression that their future is in their hands. Their strategy, they say, is unaffected either by the ferocious restructuring elsewhere or by short-term underperformance in their shares. As Mr Hummer puts it: "We like to set the benchmarks."

They have one great advantage over their counterparts at rival companies. A majority of voting shares in Roche is held by the descendants of Fritz Hoffman, who founded the business in 1896.

"We make every effort not to disappoint the analysts," says Mr Gerber. "But that's their world, not ours. We have the luxury of family ownership."

Whatever Roche does next, it will probably not have been determined by equity analysts or worried investors.

OBSERVER

Laugh? We nearly did

Hans Tietmeyer, the formidable president of the Bundesbank, was in jocular mood the other night, perhaps feeling the need to counterbalance a dry-as-dust speech by Alan Greenspan, head of the US Federal Reserve.

The occasion was Tuesday's annual banking dinner in Frankfurt. Tietmeyer waded in with an apocryphal story about a computer which the European Monetary Institute - forerunner of the planned European central bank - had been forced to take out of service.

When asked which central banker should be president of the ECB, the computer answered: "Alan Greenspan." The computer argued that Greenspan had experience of a large and extended currency area, and first-hand knowledge of conducting monetary policy in many different states.

But it was the third reason which tipped the scales against the computer. It said that Greenspan was further qualified because monetary union was intended to foster political union in Europe. A central banker from the US, whose states have been long united, would best symbolise this objective.

That said, Tietmeyer, was why Britain had requested that the computer be removed. Ho ho ho.

Laugh? We nearly did

Tietmeyer raised another chuckle from the assembled German and foreign bankers with a lengthy elaboration of why the ECB needed the monetary instruments so favoured by the Bundesbank - namely targeting had worked well in Switzerland, minimum reserve requirements were being fine in Italy and the benefits of discount credit could be centralised in Austria. "The European central bank does not have to be oriented to Germany; one can find positive results all over Europe."

But Mr Franz Hummer, the cigar-chomping head of the pharmaceuticals division for almost 18 months, is even more defensive than Mr Gerber. He says there is no reason for Roche to make an acquisition.

But a blow of sorts, nonetheless. Lone MEPs operate almost as outlaws in the parliament since every statute brings with it a raft of privileges. Without the KING, Sir James, and the other 19, would not be able to introduce resolutions for emergency debate, call for roll-call votes, put urgent questions to the Commission and the Council or wrap up debates. So how far might his enemies go to ensure Sir James's numbers drop below the obligatory 19?

Watt's up in India?

If India's protracted election was not enough to test the New Delhi's newspaper has found another good reason, as temperatures creep above 40 degrees and Delhi's annual power-cut season begins. Just days after Delhi's electricity authorities began two-hour power cuts everywhere in Delhi - except the splendid Lutyens-bungled VIP belt, where most MEPs live - comes news that several members of the outgoing parliament have failed to pay their electricity bills.

Laugh? We nearly did

Many would love to see Sir James Goldsmith lose his use and only parliamentary power base - his anti-federalist group in the European parliament. But recent press suggestions that the Europe of Nations Group is about to disintegrate may be premature.

The group lost one of its members - French MEP Philippe Martin - two months ago, reducing its numbers to 18, the minimum required to qualify as a group in the European parliament if the members come from three member states. MEPs from Denmark, the Netherlands and France belong to the ENG. Despite this narrow margin, ENG members are showing no signs of panic; they wouldn't see loss of group status as a devastating blow.

Laugh? We nearly did

But a blow of sorts, nonetheless. Lone MEPs operate almost as outlaws in the parliament since every statute brings with it a raft of privileges. Without the KING, Sir James, and the other 19, would not be able to introduce resolutions for emergency debate, call for roll-call votes, put urgent questions to the Commission and the Council or wrap up debates. So how far might his enemies go to ensure Sir James's numbers drop below the obligatory 19?

Laugh? We nearly did

All too small. Their excuse? Well, it's their servant's fault of course. Paswan has 15 of them. But at his residence, other MEPs have more. And they do insist on leaving the lights on.

Slack timetable

Hugh Arbuthnot, Britain's ambassador in Copenhagen, was called on to exercise diplomacy in the case of Anglo-Danish trade this week. He'd assembled the cream of Danish business to a dinner to meet Anthony Nelson, the UK trade minister.

Squeaking

It seems there's a move to start using management consultants instead of rats in laboratory experiments. Lab technicians prefer the consultants to rats because there's no danger that they will form a close relationship with them.

Financial Times

100 years ago

Another tyre company. Another tyre company issues its prospectus to-day, with which Mr. Hiram S. Maxon is closely associated as Director and technical adviser. The prospectus states that the tyre is the best ever an improvement on the Dunlop patent. Mr. Maxon states in the prospectus that he considers the tyre the most suitable tyre for horseless carriages; a branch of industry in which he is specially interested, and the company has acquired three of his own patents. (US-born Maxon was an inventor who in the 1890s developed the first fully automatic machine gun. He took British citizenship in 1901.)

50 years ago

Canadian Pacific Railway. Given the urgent need for maximum commercial activity, Mr. D.C. Coleman, the chairman, does not expect that the decline in traffic experienced so far this year by the Canadian Pacific Railway will be carried to any drastic lengths in the immediate future. He is very concerned, on the other hand, at the tendency for operating costs to overtake gross receipts. Last year, only 11 cents out of every dollar was left after meeting working expenses, against 25 cents after 1915, while the upward pressure on both wages and raw materials persists.

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Thursday May 9 1996

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English soccer organisers hit by ticketing scandal

By William Lewis, Jimmy Burns and Simon Kuper in London

The Football Association, which runs English soccer, has been rocked by a ticketing scandal just weeks before launching the European championships - the biggest sporting event in the UK for 30 years.

Mr Trevor Phillips, the FA's commercial director, has resigned and police are investigating ticket sales for Euro 96.

Mr Phillips oversaw the FA's organisation of the championships, but officials insisted last night that his unexpected departure would not affect the tournament.

Mr Glen Kirton, the FA's director of Euro 96, said that the FA was now acting with the police. "Jointly, and with the help of the official Euro 96 ticket distributors, we are looking into any abuses and taking appropriate action in the interests of security," he also said.

The FA said a covert operation similar to the one that it mounts at FA Cup finals had been planned in connection with Euro 96 tickets. "Following discussions with the police, we're now acting with them," Mr Kirton said. The investigation is said to be focusing on corporate hospitality tickets, not tickets sold to the public.

Mr Phillips, who had been with

Association director resigns as police probe sales for Euro 96

the FA for four years, is believed to be overseas and was not available for comment.

His departure from the FA follows police raids in London on April 30, including the offices of a company in which former England cricket captain Bob Willis is involved.

Scotland Yard's football intelligence unit raided the premises of National Sporting Club, a hospitality and social events company, near Piccadilly, and arrested a woman. Mr Willis is a non-executive chairman and his brother David is a director of the company, which has no connection with a similarly named casino.

Raids were also carried out on 12 other premises, mainly ticket outlets in London, with a further 17 arrests. Documents were also seized.

The raids uncovered information regarding the allocation of Euro 96 tickets which the police believe to be in breach of the FA's rules. The police have also been told that Mr Phillips authorised the allocation of corporate hospitality tickets to several companies.

Mr David Willis claimed last night that the company had got

the tickets through Mr Phillips.

"If it is made known to you by one of the senior directors at the FA that a very small number of selected organisations may be able to access authorised tickets directly, then naturally that is the most sensible route to go," he said.

Mr Willis said that he thought he had been dealing with the absolute public authorities.

The National Sporting Club is waiting to hear whether it will be granted the tickets it obtained. "We do know that there are a number of companies - probably 20 to 30 - in the same boat as us," Mr Willis said.

Two other ticket companies, Sportsworld and Keith Prowse, said yesterday that they thought they had bought the exclusive hospitality rights to Euro 96 from the FA. Mr Willis said that Keith Prowse "might reasonably ask the FA for some explanation" as to why tickets had been sold to other hospitality companies.

Separately, the FA announced yesterday that ticket sales for Euro 96 had reached almost 1.2m, representing 85 per cent of the tickets available.

Arch Deluxe joins Big Mac in US burger war

By Richard Tomkins in New York

For years, McDonald's has used the clownish figure of Ronald McDonald to draw youthful customers to its restaurants. Now, Ronald is growing up: he is aiming for the adult market.

In what seems likely to be the company's biggest fanfare since the launch of the Big Mac in 1967, McDonald's is today taking over New York's Radio City Music Hall to unveil its latest weapon in the US burger wars - a quarter-pounder called the Arch Deluxe.

On the face of it, the new burger, named after the McDonald's golden arches motif, seems much like any other.

But McDonald's researchers at the company's Hamburger University in Oak Brook, Illinois, have been working for months to come up with a burger formula that will tempt adults away from the rival Burger King and Wendy's chains.

Wall Street analysts say that although McDonald's dominates the US burger market by virtue of its sheer size, consumer surveys consistently show that adults rank the rival Burger King and Wendy's chains higher in terms of food quality.

Burger King, a subsidiary of Britain's Grand Metropolitan, has been doing particularly well with its Whopper, a burger that is grilled instead of fried.

Now, McDonald's is fighting back by going up-market with its Arch Deluxe. The burger aims to tap the US appetite for the "big" formula by topping the burger with peppered bacon, lettuce and tomato.

To give the burger a home-made appearance, leaf lettuce will be used instead of shredded lettuce, which looks processed. A cocktail of other toppings will include Dijon and stone-ground mustard and mayonnaise - as if the refrigerator had just been raided - and the whole will be enclosed in a new kind of potato flour bun.

At first, the burger will only be available in North America. Prices will vary between geographical markets, but it is expected to sell at \$3.19 in New York. Without the optional bacon, it will sell at \$2.99, the same price as a Big Mac.

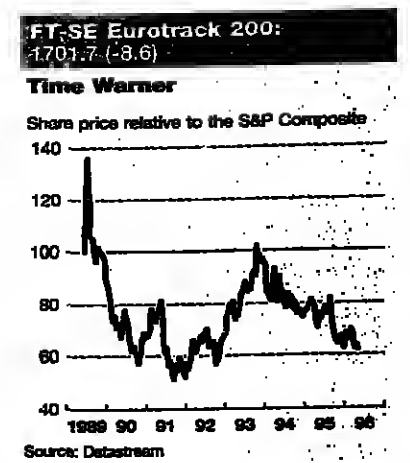
Ms Stacy Jamar, an analyst at Oppenheimer & Co, said McDonald's and Burger King had previously been fighting the burger war by competing on price.

"Now they are pushing it to a 'my burger tastes better than your burger' kind of thing," she said.

Burger King brushed off the move. "Clearly, the competition is reacting to our success," it said.

Wendy's was equally dismissive. "The end result is down to taste," it said. "We are not overly concerned."

THE LEX COLUMN Time out



Rumours that the US Federal Trade Commission is minded to block Time Warner's \$7.5bn takeover of Turner Broadcasting System are hardly surprising. A simple combination of Time Warner and Turner might just pass muster. The snag is that Tele-Communications Inc (TCI), the largest US cable operator, will end up with a 9 per cent stake in the enlarged Time Warner in exchange for its Turner shares. If Time Warner and TCI then operated as a single bloc, their joint dominance of both cable channels and networks would allow them to dictate terms in US pay-television. Rival channels and networks could get raw deals.

TCI's pledge to place its shares in a trust, controlled by Mr Gerald Levin, Time Warner's boss, is fooling nobody. Though TCI would not have votes, its economic interests and Time Warner's would still be aligned. Nor is there any love lost between Washington and Mr John Malone, TCI's chief executive who was once likened by Vice President Al Gore to Darth Vader, the evil Star Wars genius.

That said, it should be possible to alter the deal to meet Washington's concerns. The best option would be to give Mr Malone cable channels for his Turner shares; TCI and Time Warner would then have no economic interests in common. An alternative would be for Time Warner to sell its cable networks; US West, the telecoms group which already has a minority stake, is clamouring to buy them. Whether Mr Levin, who has staked his credibility on the logic of combining programming and distribution, could stomach the consequent loss of face is another matter.

higher returns abroad than utilities can earn under a highly restrictive regulatory straitjacket at home. At first sight this notion sounds seductive - it may, for instance, be an easy way to enhance earnings - but it is flawed. For one thing, non-US regulatory systems may allow returns that beat the cost of capital for a time, but they will not do so for ever. For another, even if cash invested abroad can deliver impressive returns, it is still more efficient to hand the cash back to shareholders and let them do the investing. Using it to buy an entire company only makes sense if the buyer can credibly squeeze enough additional value from the business to offset the need to pay a premium for control. There has been precious little evidence of that in practice.

J. Sainsbury

Sainsbury's decision to introduce customer loyalty cards may appear to have been made in a rather "oh, all right then" spirit. But the management's willingness to admit to a change of heart at least counters impressions of complacency. Still, the fact remains that the group has been slow to react to innovations by rivals - Tesco and Sainsbury already operate card schemes. There is also a worry that the loyalty card will add to Sainsbury's cost base and spark greater price competition, ultimately leading to a further margin erosion.

There are some bright spots. Homebase has shown an impressive ability to buck the dire do-it-yourself market, in the light of which the decision to bring forward the conversion of Texas stores to its Homebase format looks sensible, despite the extra cost. The group's growth prospects in the US are another comfort. Shaw's is firing on all cylinders, and this may encourage management to press ahead with a buy-out of the majority of Giant Food or explore other acquisitions.

But there is no hiding the fact that the wheels on Sainsbury's supermarket trolley are still looking wobbly. Like-for-like sales growth lagged at a paltry 2.6 per cent last year, and aggressive offers since the financial year-end have only edged that up to 3 per cent. Sainsbury could well be on the brink of a turnaround, but it still has everything to prove. And even after its dire market performance last year, its shares are still on a premium to the sector. Better margins may not be enough to justify this, given its other problems.

US/UK power

The US power companies' international buying spree - notably in Britain - is great news for shareholders in the targets. The buyers' shareholders, by contrast, should be asking some tough questions. Bids are fun for utilities' managements and they are also in fashion - both are good grounds for doubting whether they make sense. Shareholders should start by dismissing airy talk of globalisation; in an industry whose product is consumed locally, this is waffle. Nor is there much in the proposition that US utilities, facing deregulation, need experience of markets which have already been opened to competition. Buying in this sort of expertise may be a good idea but there is no need to buy entire companies.

A more hard-nosed argument is that US utilities can borrow cheaply; the business will certainly be enhanced by

Additional Lex comment on Whitbread, Page 23

Chirac to reassure Kohl over planned French weapons cuts

By Michael Lindemann in Bonn and David Buchan in Paris

Mr Jacques Chirac, the French president, will tomorrow reassure Mr Helmut Kohl, the German chancellor, that planned cuts in weapons procurement will not endanger military co-operation.

The two leaders will meet in Bonn at a working dinner in an attempt to ease strains over the impact of French defence reforms.

Next Monday the French cabinet is due to endorse a five year military procurement programme for 1997/2002, amid fears that cuts will bear heavily on joint projects, particularly in helicopters, with Germany.

Paris has been reassuring Bonn in the wake of complaints from Mr Volker Rühle, Germany's defence minister, that he was not adequately consulted before Mr Chirac announced in February he would phase out French conscrip-

tion, among other defence cuts.

At the time, Mr Chirac promised that his reforms would not damage France's co-operation with Germany in their joint Eurocopter, nor its involvement in the Tiger and NH-90 helicopter programmes with Bonn.

But there has been growing speculation in Paris that France will reduce its orders for Tigers and NH-90s in its 1997/2002 programme. This has led to German demands for the programmes to be "rebalanced" in Germany's favour.

Mr Jean-Francois Bigay, president of Eurocopter, which is 70 per cent owned by Aérospatiale and 30 per cent by Daimler-Benz Aerospace (Dasa), confirmed last week that the German authorities had requested a recalculation of the shares in the Tiger programme.

According to German press reports, Germany will take 212 Tigers while France, which had

planned to buy 215, will now purchase less than 100. The Tiger is a purely Franco-German project, while the NH-90 programme involves other Nato allies.

The Germans are also concerned that France has said it does not have enough money to go ahead with the Future Large Aircraft, a new generation of military transport aeroplane which the two allies had been planning to develop and a project they are also hoping to persuade Britain to join.

French officials say that while France's new professional army will be nearly 40 per cent smaller than the current force, it should have almost as much firepower as the present force. But the new 1997/2002 military programme places a tighter overall cap on equipment spending.

Mr Chirac saw the Tiger and NH-90 in action last Friday when he attended French army manoeuvres in southern France.

US groups team up for 'super-jumbo'

Continued from Page 1

aircraft manufacturers to nominate one engine maker for each new aircraft.

"Working together, Pratt & Whitney and GE can bring the talents of both companies to this joint venture to give our airline

customers the best possible value," Mr Karl Krapek, president of Pratt & Whitney, said.

Airbus Industrie, the European manufacturing consortium, has already nominated GE as the engine maker for its own, extended A340.

The stretched A340 will carry

370 passengers.

Airbus has also said it wants to begin work by the end of next year on the A3XX, a new 550-seat aircraft to compete with the Boeing 747-400.

Airbus has said it expects the A3XX to be powered by existing engines.

FT WEATHER GUIDE

Europe today

High pressure will bring settled conditions with widespread sunshine over most of north-western Europe. Southern France will be cool with a fresh northerly wind. An area of low pressure will cause heavy cloud and rain over a wide area, from the Pyrenees through to the western Alps, across northern Germany and into southern Scandinavia. Thundery showers will develop along the eastern edge of the rain band. The Iberian peninsula will be unsettled, with cloud and rain on the north coast. Eastern and south-eastern Europe will be warm and sunny with some thundery showers, especially over the Balkans.

Five-day forecast

The east and south-east will remain warm with thundery showers. Some of the warm air will be drawn towards the north-west as low pressure moves from the Alps towards the Balkans, and thundery showers and sunny spells will occur near the low pressure area. Strong easterly winds will develop over southern Scandinavia.

TODAY'S TEMPERATURES

Maximum	Berlin	sun	25	Casaca	cloudy	29	Faro	sun	20	Madrid	sun	20	Rangoon	cloudy	32
	Cebu	sun	12	Cardiff	sun	13	Frankfurt	show	12	Malaga	sun	21	Seydewik	rain	19
	Abu Dhabi	sun	41	Belgrade	sun	27	Geneva	show	21	Gibraltar	show	15	Manila	sun	26
	Accra	cloudy	30	Bein	rain	11	Chicago	thund	25	Glasgow	sun	10	Manchester	sun	22
	Algiers	show	20	Bermuda	sun	22	Cologne	show	13	Havana	sun	22	Mexico City	sun	22
	Amsterdam	sun	12	Bogota	cloudy	19	Dakar	sun	27	Hamburg	sun	16	Melbourne	sun	23
	Athens	sun	27	Bombay	sun	33	Dallas	cloudy	31	Helsinki	sun	12	Moscow	sun	14
	Atlanta	sun	31	Brussels	cloudy	13	Deli	sun	40	Hong Kong	cloudy	27	Osaka	sun	24
	B. Aires	sun	22	Budapest	sun	25	Dubai	sun	40	Honolulu	sun	29	Paris	sun	12
	Dublin	sun	12	Cairo	sun	34	Dubrovnik	sun	11	Islamabad	sun	24	Montreal	sun	21
	Sarajevo	show	18	Cape Town	sun	22	Edinburgh	cloudy	10	Jakarta	sun	36	Nairobi	sun	20
	Barcelona	rain	18							Naples	sun	17	Sydney	show	21
										Nassau	sun	24	Taipei	sun	27
										Los Angeles	sun	23	Tel Aviv	sun	27
										London	sun	24	Tokyo	cloudy	19
										Luxembourg	cloudy	11	Vienna	sun	23
										Lyon	show	18	Warsaw	thund	23
										Madeira	show	20	Wellington	sun	13
													Winnipeg	cloudy	10
													Zurich	sun	12

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Warm front, Cold front, Wind speed in KPH

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COMPANIES AND FINANCE: EUROPE

Scania tumbles 21% despite higher sales

By Hugh Carnegie in Stockholm

Scania, the Swedish truck maker floated in New York and Stockholm last month, yesterday blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits.

Scania B shares eased SKr0.5 to close at SKr188.50. But they were still ahead of the SKr180 offer price in April, when Investor, the main Wallenberg empire holding company, sold a 56 per cent stake via an initial public offering for SKr188.50.

At similar levels to last year and remained stable in April. In Europe, a total of 8,076 Scania trucks were registered, 30 per cent more than during the same quarter last year and almost double the rise in truck registrations in the overall European market.

Most of Scania's sales continued to be for the 3-series range, which is gradually being replaced this year by the new 4-series, launched last year. But Mr Leif Ostling, chief executive, said Scania had not cut prices to keep up sales of the outgoing model.

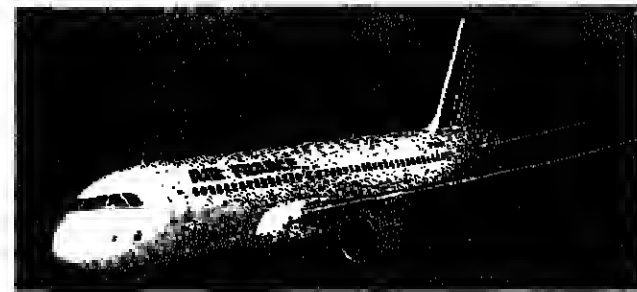
Costs, meanwhile, rose from SKr6.5bn to SKr7.3bn. Mr Ostling said 1,500 workers would be laid off later in the year as production was streamlined to only the 4-series.

The First Securitisation in Belgium. ATRIUM-1 V.B.S. Securitisation of Social Housing Loans. Public Offer for Sale. Listing on the First Market of the Brussels Stock Exchange.

Air France Europe on a tight schedule

French carrier's domestic partner faces grim prospects if it fails to get its house in order

Air France has one-and-a-half to two years to get its house in order. Obviously the company has made significant progress, yet there is an enormous amount of work to be done.



Air France 'still has an enormous amount of work to do'

This assessment by Mr Julius Maldutis, airlines analyst at Salomon Brothers in New York, helps explain the uncompromising way Mr Christian Blanc, Air France chairman, last month spelt out the grim prospects for Air France Europe, the state-owned carrier's domestic partner, if it fails to, in Mr Maldutis's phrase, "get its house in order".

For one thing, they were antagonised by the tone of some of Mr Blanc's language - in particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not.

France. Their initial reactions did not bode well. For one thing, they were antagonised by the tone of some of Mr Blanc's language - in particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not.

Mr Blanc said quite simply that Air France Europe's financial outlook was "leading to disaster". Its operating revenues did not even cover operating expenses. It would be insolvent in less than two years if nothing were done.

By Mr Blanc's estimate, losses would total FF1.5bn (\$251m) this year and next if changes were not made. Liberalisation of European air travel will be further entrenched in April 1997 when airlines from other European Union countries are allowed unfettered access to the French domestic market.

For another, they expressed disappointment that they could discern no clear strategy for defending Air France Europe's market position in what Mr Blanc said: "We are under the impression that Air France has absolutely no idea what to do with Air France Europe."

Through it has long faced competition from the high-speed train a grande vitesse, Air France Europe has been reduced to this position

A big factor in determining the future viability of Air France Europe, which Air France plans to merge with its own European operations in 1997, will be the response to Mr Blanc's blueprint of the trade unions - still a power in

The crisis at Air France Europe comes as the situation at Air France itself is showing signs of improvement after cumulative losses of about FF15bn since 1991. The group disclosed last

month it had reduced net losses before restructuring costs to less than FF1.2bn in 1995-96 and hoped to cut this to FF1.5bn in 1996-97. It said gross operating profits had risen to FF3.7bn. The figures excluded Air France Europe.

Table with 2 columns: Airline, Passengers carried (millions). Includes Air France, British Airways, Lufthansa, etc.

Table with 2 columns: Airline, Passengers carried (millions). Includes Air France, British Airways, Lufthansa, etc.

Ironically, some feel the brighter picture at Air France may make Mr Blanc's task at Air France Europe even tougher. "It is more difficult to implement a restructuring when the results you are posting are better because the unions will say 'What's the problem? We are back in profit!'"

What is not in doubt is that the stakes for the airline - and the French government, which is seeking to implement social and economic reform while avoiding fresh confrontation with trade unions - are extremely high.

Analysis such as Salomon's Mr Maldutis think the European market will eventually come to be dominated by as few as three premier carriers which will use next year's liberalisation to expand aggressively. Two of this trio look set to be British Airways and Germany's Lufthansa.

Whether Air France emerges as the third - and in the process becomes a realistic prospect for privatisation - may hinge on the events of the next few months.

David Owen

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Schering sees 'double-digit' profits growth for 1996

By Daniel Green

Schering, the Berlin-based pharmaceuticals company, yesterday revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m (\$88.1m).

The company's financial income rose 58 per cent, from DM24m to DM38m. Operating profits, by contrast, slipped 1 per cent from DM198m to DM196m.

Prospects for the whole year were good enough for Schering to promise a return to the performance of 1995, after a relatively poor 1994. It said that profits for 1996 would "grow by a double-digit figure". In 1994, the company posted net profits of DM286m.

Turnover for the first quarter rose 5 per cent from DM1.15bn to DM1.21bn. Most of the improvement derived from non-German sales, up from DM962m to DM1.02bn. Domestic sales rose

from DM187m to DM191m. Late last year the company launched Betaseron, its multiple sclerosis drug, in Europe. First quarter sales in Europe reached DM25m in spite of a "poor start" in the UK.

The company blamed the lack of a "central agency in charge of administering the budget for dispensing Betaseron in the UK". The drug caused some controversy in the UK as a result of its high price.

It said that a decline in

prices and financing difficulties for patients had helped slow the rate of sales growth in the US, where sales were barely changed at DM90m.

Schering added that sales of Betaseron, sold as Betaseron in the US, could fall when competition hits the market later this year. Massachusetts-based Biogen is likely to be the first to launch a competitor.

Betaseron sales might not, therefore, reach their target of DM600m a year, the company said.

There was a better performance from the fertility/hormone therapy products areas. Sales rose 5 per cent thanks to the hormone replacement therapy products, rather than oral contraceptives which have been hit by health concerns.

AgrEvo, a crop protection business run jointly with Hoechst, the German pharmaceuticals and chemicals company, contributed DM25m, after goodwill, to Schering's first quarter profits. This com-

pared with a contribution of DM14m in the same period in 1995.

Sales in the diagnostics side - principally materials for improving the quality of x-ray and body scan pictures - fell 8 per cent.

The company blamed losses in Japan partly attributable to the weakening yen. It also had to withdraw a promising new product, Isovist, last year.

Sales in Latin America showed the largest single regional increase.

NEWS DIGEST

Winterthur posts 15% rise for year

Winterthur, the Swiss insurance group, posted net profits for the year to December up 15 per cent from SFr864.2m to SFr119.2m (\$388m). Gross premiums rose from SFr20.5bn to SFr22.3bn. The dividend goes up by SFr2 to SFr19. Analysts had forecast net profits of between SFr415m and SFr430m, and Winterthur bearer shares closed down SFr4 at SFr761.

Winterthur said pre-tax profits rose from SFr730.2m to SFr815.7m. Operating earnings at its non-life division were ahead 20.3 per cent to SFr690.4m, while operating profits at its life business fell 4.9 per cent to SFr256.3m.

The group said the decline in life business was "not only due to higher benefits paid, but also to larger allocations to the reserves in disability insurance." It said total financial investments rose from SFr65m to SFr72m, with income from overall financial operations rising from SFr4.25m to SFr5.19m.

Non-life business premiums rose 8.9 per cent in 1995 thanks to acquisitions, the company said. The group's life premiums rose 9.2 per cent due to growth in Switzerland, Italy and the UK. Winterthur said shareholder equity fell to SFr4.6bn at end-1995 from SFr4.1bn a year earlier due to an extremely strong Swiss franc and goodwill paid for acquisitions.

APX News, Winterthur

Rabobank builds Polish stake

Rabobank, the Dutch co-operative bank which specialises in international agribusiness lending, yesterday announced it had subscribed to a new share issue in Bank Rolno-Przemyslowy of Poland. It has acquired a majority 51 per cent stake in the Polish bank and doubled its capital to 40m zlotys (\$15m).

The bank, created in 1993, had a balance sheet total of 93m zlotys at the end of last year and is concentrated in the Polish food processing and agribusiness sector. It will now be known as Rabo-BPP Polska SA. Rabobank said it intended to invest some \$10m in new branches in central and eastern Europe over the next four years.

David Brown, Amsterdam

Hochtief up at DM137m for year

By Michael Lindemann in Bonn

Hochtief, the leading German construction group, yesterday reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year.

The improved earnings are in marked contrast to those at Philipp Holzmann, the larger rival group which Hochtief is wrestling to take over. Holzmann last month disclosed a surprise loss of DM360m, mainly due to problems in the property market.

Essen-based Hochtief said it

had been able to buttress its 1995 results following a 38 per cent rise in orders from outside Germany, to DM5.2bn.

"Our policy of internationalising, something we have been doing steadily over the years, has paid off," said Mr Hans-Peter Kettel, chief executive. The dividend for 1995 will remain unchanged at DM13.50.

New orders in Germany meanwhile fell 15 per cent to DM6.5bn, underlying the persistent weakness of the German construction market.

However, Mr Kettel said the present year had got off to a good start with orders rising to DM2.5bn in the first quarter, 18 per cent higher than during

the same period a year earlier. Construction output, the construction industry's term for sales, rose 3 per cent to DM2.4bn.

Overall Hochtief's construction output last year rose 6 per cent to DM11.1bn, up from DM10.5bn. Output in Germany rose 3.6 per cent to DM7.8bn while output abroad was ahead 10.4 per cent to DM3.9bn.

The group said its subsidiaries in Australia, the Netherlands and South Africa had contributed to the improved results, with unspecified profits.

Despite the improved results, Mr Kettel repeated his warnings - directed mainly at Holzmann, which it is attempt-

ing to take over - that the German construction industry would be no match for more powerful international competition unless it changed its ways.

"The big German construction companies cannot compete internationally if they remain a number of medium-sized companies, assembled under the roof of a holding company, doing mainly traditional construction activities," Mr Kettel said.

"[They] have to restructure themselves and think in new categories... in order to be able to manage a number of activities from project development to facility management."



Hans-Peter Kettel: present year off to a good start

Dividends boost at Italian insurers

By Andrew Hill in Milan

Ina and Ras, two of Italy's largest insurance companies, plan to raise their dividends by more than one-third on the back of strong increases in group profit.

Ina will propose a dividend of L56 per ordinary share, compared with L40 the previous year.

Mr Sergio Siglienti, Ina chairman, said yesterday the company was "technically ready" for the next phase of privatisation - the sale of the treasury's remaining 34 per cent stake.

Analysts believe last month's election victory for the centre-left should accelerate the sale, probably through an issue of government bonds convertible into Ina shares. A bond issue would avoid the treasury having to sell shares at a price lower than the L2,400 of the 1994 flotation. Ina's shares closed yesterday at L2,378, down L14.

Ina's net consolidated profit rose from L293bn in 1994 to L395bn (\$254m) in the 12 months to December 31 1995, helped by a 15 per cent increase in premium income to L2,971bn, against L2,580bn a year earlier.

Ina said it was still searching for a new banking partner, following the end of an earlier

agreement with Banca di Roma.

Ras, which is controlled by Allianz of Germany, plans to pay a dividend of L340 on ordinary shares and L400 on savings shares, against L250 and L300 respectively for 1994.

Ras closed calendar-year 1995 with a net profit of L319bn, up nearly 60 per cent on 1994's L201bn.

Premium income was slightly lower at L4,161bn, against L4,281bn in 1994, but the company explained that the reduction was almost entirely due to the ending of the group's energy, oil and gas insurance activities, which accounted for some L300m of premium income in 1994.

"Stripping" out those operations, the group said non-life premiums had risen by 8 per cent in the year, and life assurance by 2.2 per cent.

Ras also announced a reshuffle of management, promoting three of the company's general managers - Mr Mario Greco, Mr Salvatore Mitallo and Mr Pierluigi Richeo - to managing director, each in charge of a different business area.

The company said Mr Giulio Baseggio and Mr Attilio Lentati would give up their role as joint managing directors while retaining the post of joint chief executive alongside Mr Angelo Marchio, chairman.

Teleshopping set to grow in Germany

By Frederick Stüdemann in Munich

Home Order Television, Germany's first television shopping network, which launched last October, yesterday said it expected turnover in 1996 to reach DM85m (\$43m) and that it would start making operating profits in 1998.

The network, which is jointly owned by the Quella mail order group, Mr Thomas Kirch and Mr Georg Köfler, said it expected to have fully paid off initial investment costs of DM100m by 2000.

Mr Andreas Btschelhoffer, joint chief executive, said that in the long term he expected turnover to settle down at about DM500m. "That is where we see the saturation point," he said.

The network is a pioneer in the German television industry, which is undergoing considerable upheaval in the approach to possible liberalisation and the arrival of digital pay-TV.

Teleshopping is considered particularly attractive, given the popularity of mail order shopping in Germany, which has prompted retailers, such as Quelle, to move into television.

Rewe, the high street retailer, this year bought a 40 per cent stake in the Pro Sieben network from Mr Kirch and Mr Köfler.

Foreign companies, such as the US-based network QVC, are also looking at the German market.

The growth of teleshopping has been hampered, however, by legal restrictions which limit television shopping to one hour a day on commercial networks, and which strictly speaking do not allow net-

works devoted wholly to teleshopping.

HOT, however, was able to convince the licensing authorities in Bavaria that it was not so much a broadcasting network as an "audio-visual catalogue".

Other regional states are now following Bavaria's lead and a reform of the state's Broadcasting Treaty, under which the Länder administer broadcasting in Germany, is expected to bring further liberalisation.

At present HOT can be received by 4m households through cable and satellite distribution.

The network said it would expand distribution in the coming year into Austria and Switzerland.

Within Germany, it has signed distribution agreements with several local networks for the transmission of daily one-hour segments which can be received by about 7m people.

In its first six months of operation, the network said it had found many previous assumptions about teleshopping to be false.

"Many people thought it would be primarily something for women, but in fact nearly half - 47 per cent - of our sales are made to men," Mr Btschelhoffer said.

Furthermore, product groups believed to be more attractive to female customers - such as jewellery and household goods - were in sales terms split almost equally between the sexes.

Mr Btschelhoffer said that, in general, German viewers did not respond to the hard-sell techniques popular among US teleshopping networks.

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COMPANIES AND FINANCE: ASIA-PACIFIC/INT'L

SA banks warn despite progress at halfway stage

By Mark Ashurst in Johannesburg

First National Bank and Nedcor, the South African banking and financial services groups, yesterday reported solid growth for the six months ended March 31.

However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates after the recent sharp falls in the rand.

First National posted a 13 per cent rise in pre-tax income, from R602.9m in the first half of 1995 to R681.3m (\$155.2m). Earnings per share rose 17.5 per cent to 103.5 cents. The dividend was raised by one-third, to 20 cents a share.

Analysts said the results were below expectations. "Most analysts were looking for at least 19 per cent on earnings, if not somewhere in the early twenties," said one.

Mr Barry Swart, managing director, said the increased dividend corrected the proportional imbalance between the interim dividend and the year-end dividend, which was 66 cents a share at September 30 last year.

The charge for bad and doubtful debts rose 42.1 per cent to R256m, against R180m, of which 32.5 per cent was owing to the incorporation for the first time of FirstProf

Finance, First National's vehicle financing arm.

Net interest income rose 24.8 per cent to R1.7bn. Total assets were up 20.5 per cent to R23.5bn but had risen only 6.7 per cent, or R5.2bn, since September 30 last year.

Nedcor reported a 32 per cent rise in pre-tax income, from R546m to R718m. Earnings per share increased 24 per cent to 210 cents, and the dividend was 25 per cent higher at 45 cents a share.

Analysts said the results were broadly in line with expectations, although final results in September were now unlikely to exceed forecasts of 35 per cent earnings growth.

Mr Richard Laubscher, chief executive, said the results reflected "a solid all-round performance, despite a cautious build up of bad debt provisions for new business activities". Earnings had grown an average 20.2 per cent over the past three years.

The ratio of expenses to total income for the period was 62.8 per cent, compared to 65.5 per cent last time. The group intends to reduce costs to achieve a ratio of 60 per cent within three years.

Net interest income increased 21 per cent to R1.4bn as margins came under pressure from higher interest rates in the money market. Total assets increased 23 per cent to R79.1m, a rise of 9 per cent since the end of fiscal 1995.

NEWS DIGEST

Malaysia seeks steelmaker rescue

Malaysia is considering proposals from four private companies to rescue the state-owned steelmaker Perwaja Terengganu, which borrowed heavily and has been suffering high operating losses. Mr Anwar Ibrahim, deputy prime minister and finance minister, said the four companies were Renong Berhad, Westmont Industries, Lion Corporation and the Maju Group. All are highly-diversified, with close government contacts. Mr Anwar gave no details of the proposals. Perwaja is under finance ministry control while it is being audited.

Steel industry analysts said the government had not yet decided what form the private participation in Perwaja might take. The most likely option was that one or two of the interested companies would take an equity stake alongside a remaining state holding, analysts said.

Estimates of Perwaja's debt range from about 5.7bn ringgit to 6.8bn ringgit (\$2.29bn-\$2.7bn), much of it owed to foreign financial institutions and denominated in yen. Accumulated operating losses are 2.5bn ringgit. Analysts said the government would probably pay off Perwaja's debt to make the steelmaker more tempting to private sector suitors, but would leave its accumulated losses because 30 per cent of these could be claimed as tax deductions on earnings.

Perwaja, with some 4,000 workers, manufactures a range of steel products used mainly in construction. Demand for its products seems assured because of 31 government projects worth an estimated 163bn ringgit between 1995 and 2000, but operating costs are high.

James Kyngie, Kuala Lumpur

Indonesian tin miner up sharply

Tambang Timah, Indonesia's integrated tin mining company, saw net profit in the first quarter increase about 90 per cent on the same period a year earlier, on higher average prices for tin and increased sales volume.

Net profit rose to Rp99.4bn (\$16.9m) in the first quarter from Rp20.64bn a year earlier, while sales advanced 26 per cent to Rp136bn. The average tin price in the period increased from US\$5,825 a tonne in the comparable 1995 period to US\$6,299 a tonne, while first-quarter sales volumes rose from 8,400 tonnes to 9,330 tonnes.

The first-quarter net income figure compares with Rp69bn recorded in the fourth quarter last year, but this included a one-time extraordinary gain on the sale of assets. Timah's production costs are expected to increase this year, but analysts say this is unlikely to have a significant impact on earnings growth as world prices and demand for tin are set to harden.

A rise in production costs is attributed to increases in capital expenditure as the company starts exploration for diamond mining on the island of Kalimantan and gold mining in Sumatra.

A company official predicted that costs would rise to US\$4,459 a tonne, against US\$4,210 a tonne last year. Analysts noted that production costs were also slightly higher in the first quarter as Koba Tin, in which Timah has a 25 per cent stake, started operating its own tin smelter. This took about 1,700 tonnes out of Timah's smelter output, leading to a "slightly lower utilisation rate and therefore higher production costs", said one Jakarta-based analyst.

Mamela Saragosa, Jakarta

Australian brewer in Vietnam deal

Power Pacific, the Australian brewer, has signed a \$276.9m joint venture contract with Vietnam's largest brewery to build a plant near Ho Chi Minh City in southern Vietnam, its second brewing venture in what has fast become a competitive market. The joint venture company, known as Saigon Power Brewery, would be owned 51 per cent by Power Pacific with the rest held by Saigon Brewery, a state-owned company that produces the "333" brand originally brewed by the French earlier this century.

Power Pacific said the brewery would be completed in 1998, when initial output should be about 150m litres, rising to 300m litres.

The company puts annual beer consumption in Vietnam at about 6 litres a head, and anticipates an annual growth rate of 20 per cent. Saigon Power Brewery planned to produce "an international premium brand" in addition to Saigon Brewery's existing range. The official said Power Pacific was negotiating with Anheuser-Busch, the US brewer, about involvement. Anheuser-Busch produces Budweiser beer.

The Australian company was also talking to other international brewers about taking a debt or equity position in the project. It has one other brewery in Vietnam, a small plant, also in Dong Nai province, producing about 20m litres of draught beer annually.

Since the Vietnamese brewing sector started to attract foreign investment in 1993, the number of foreign and local brands produced has soared. Foreign arrivals include Carlsberg, Tuborg, San Miguel, Tiger and Guinness. As a result, some industry analysts question whether there is scope for more foreign investment.

Jeremy Grant, Hanoi

Westpac divests Victoria operations

By Nikki Tait in Sydney

The shake-out in Australia's banking sector took a fresh twist yesterday when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently-acquired Challenge Bank subsidiary to Bank of Melbourne.

Bank of Melbourne, which is listed and heavily oriented towards the consumer and home loan markets, is one of the declining band of regional banks left in the sector, and has itself been the target of takeover speculation.

It said yesterday it had agreed to pay Westpac net asset value for the Victorian assets and liabilities, plus a premium of A\$65m (US\$5.2m), representing goodwill. "It is estimated that the total purchase price will be approximately A\$800m," it said.

Westpac made a successful A\$689m bid for Challenge's shares last year. Challenge is based in Perth, and Westpac was widely viewed as being primarily interested in increasing its presence in Western Australia.

Yesterday, Mr Bob Joss, Westpac's managing director, said the sale was "consistent

with our strategic objective of concentrating on Challenge's regional WA strength."

"It also represents a good return for our shareholders and ensures focus on the integration of our WA business," he added.

The business that Westpac is selling includes retail and commercial assets of about A\$1.3bn and deposit liabilities of A\$503m, and comprises 22 branches. It has some 132,000 customers and 241 employees.

Bank of Melbourne said the deal would lift its share of lending in Victoria to 10.1 per cent, compared with 8.4 per cent at present, and its share of deposits from 10.4 per cent to 11.1 per cent. It will fund the deal from cash reserves and from an A\$205m medium-term note issue.

Mr David Airey, chief executive at Bank of Melbourne, said he expected the deal to add about A\$15m in pre-tax profits in 1996-97, and lift total assets at Bank of Melbourne to more than A\$10bn.

Shares in Bank of Melbourne remained steady on the news at A\$7.10, while Westpac - which is due to report interim results next week - eased A\$0.22.

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DANONE

DIVIDEND PAYMENT

At the General Meeting of Danone Group on May 7, 1996, shareholders voted to give each shareholder the option of payment of the 1995 dividend in FF 16.00 (excluding the tax credit) in cash or share form.

The issue price of shares distributed in lieu of a cash payment was set at 90% of the average opening price for the twenty trading days prior to the Meeting, excluding, or a total of FF 689. New shares will become available on July 22, 1996.

On May 7, the day of the General Meeting, DANONE shares were opening at FF 798.

Regardless of their preference, shareholders retain the benefit of tax credit (avoir fiscal) attached to the dividend.

Shareholders may exercise their choice between May 13 and June 7, 1996 inclusive.

Shareholders who opt for dividends in cash rather than in shares will be able to receive payments as of May 13, 1996 provided they have instructed their bank or other financial intermediary accordingly.

DANONE

FIRST-QUARTER SALES UP 5.4%

Consolidated sales of Danone Group amounted to FF19.5 billion in the first quarter of 1996, 5.4% more than the FF18.5 billion recorded in the same period of 1995.

Sales by division were as follows:

(FF millions)	1995	1996
Europe	5,287	5,661
Dairy products	1,999	4,019
Grocery products / Pasta	2,864	2,802
Biscuits	1,483	1,465
Beer	1,552	1,579
Mineral water	1,553	1,550
International	2,389	3,000
Intra-group transactions	(599)	(553)
GROUP TOTAL	18,528	19,523

This 5.4% rise reflects a progress in organic growth (up 2.3%), and first consolidation of companies active in dairy products in eastern Europe and Argentina, and biscuits in Argentina and China.

All constant organization, structure and exchange rates, year-on-year changes in sales by division were as follows:

Europe	+4.1%
Dairy products	+3.7%
Grocery products / Pasta	-2.1%
Biscuits	-1.6%
Beer	+2.0%
Mineral water	+0.5%
International	+3.5%
GROUP TOTAL	+2.5%

Figures reflect stock trends in food consumption in France in March, but signs of firming emerged in April.

NATIONAL BANK OF CANADA

US\$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from May 09, 1996 to August 09, 1996 the Notes will carry an Interest Rate of 5.70% per annum.

The Interest Amount payable on the relevant Interest Payment Date, August 09, 1996 will be US\$ 145.67 per US\$ 10,000 principal amount of Note and US\$ 1,456.67 per US\$ 100,000 principal amount of Note.

The Calculator Agent: **KBL Kredietbank Luxembourg**

St. George

U.S.\$300,000,000 Floating Rate Notes due 1998

For the three months 8th May, 1996 to 8th August, 1996 the Notes will carry an interest rate of 5.6734% per annum with an amount of interest U.S.\$145.09 per U.S.\$10,000 Note and U.S.\$1,450.88 per U.S.\$100,000 Note, payable on 8th August, 1996.

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110000	102.48	9.10	110000	102.48	9.10
0000	102.48	9.10	0000	102.48	9.10
0100	102.48	9.10	0100	102.48	9.10
0200	102.48	9.10	0200	102.48	9.10
0300	102.48	9.10	0300	102.48	9.10
0400	102.48	9.10	0400	102.48	9.10
0500	102.48	9.10	0500	102.48	9.10
0600	102.48	9.10	0600	102.48	9.10
0700	102.48	9.10	0700	102.48	9.10
0800	102.48	9.10	0800	102.48	9.10
0900	102.48	9.10	0900	102.48	9.10
1000	102.48	9.10	1000	102.48	9.10
1100	102.48	9.10	1100	102.48	9.10
1200	102.48	9.10	1200	102.48	9.10
1300	102.48	9.10	1300	102.48	9.10
1400	102.48	9.10	1400	102.48	9.10
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2600	102.48	9.10	2600	102.48	9.10
2700	102.48	9.10	2700	102.48	9.10
2800	102.48	9.10	2800	102.48	9.10
2900	102.48	9.10	2900	102.48	9.10
3000	102.48	9.10	3000	102.48	9.10

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Notice to shareholders and bondholders

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3 1/2% bond issue (ex warrant) 1987-99
to the value of Sfr 148 million
3 1/2% bond issue (ex warrant) 1989-2000
to the value of Sfr 150 million
4% convertible bond issue 1990-98 of Sfr 150 million

As proposed by the Board of Directors, it was decided at the Annual General Meeting of May 2, 1996 to change the company's name from BBC Brown Boveri AG to ABB AG. The change was made to reflect the unity of the ABB Group. It also makes it clear to investors that investing in shares of the company corresponds to a participation in the international ABB Group.

Because of the change, from May 9, 1996 all bearer and registered shares, and all outstanding bonds will be listed on the Zurich, Basle and Geneva exchanges under the name of:

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All security numbers will remain unchanged. Physical securities will not be exchanged or stamped.

Zurich, May 9, 1996

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The Financial Times plans to publish a Survey on

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on Friday, May 24.

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FT Surveys

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COMPANIES AND FINANCE: THE AMERICAS

Berkshire lifts size of offer for third time

By Maggie Urry
in New York

Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B share offer for the third time, in an attempt to meet all demand for the shares.

Salomon Brothers, the underwriter, has an option over a further 15 per cent or 67,300 shares.

Also yesterday, it was revealed that Berkshire had filed a plan with the Securities and Exchange Commission to sell some or all of its holding of 368,000 Series A convertible preferred shares in USAir, the troubled airline.

Berkshire's B shares will be priced at about 1/30th of the A shares, which yesterday morn-

ing were trading at \$38,000, down \$1,900 after rising sharply on Tuesday. The issue would raise some \$500m for Berkshire, excluding the Salomon option.

However, it would increase the group's share capital by only 1 per cent.

At the group's annual meeting on Monday, Mr Charles Munger, vice-chairman of Berkshire, characterised the issue as a "no-event".

Regarding the USAir position, Berkshire's filing said it would offer the shares to USAir itself.

If the airline did not buy them, Berkshire would be free to sell some or all of the shares at a price at or above that offered to USAir for a period of up to 90 days.

USAir said yesterday it had received the letter and would be responding. Berkshire has promised it would not knowingly sell the shares to anyone who would hold more than 3

per cent of USAir as a result.

Berkshire paid \$352m for the USAir preferred stock in 1989. After years of losses, Berkshire wrote the investment down to \$39.5m in its 1994 accounts.

A return to profitability by USAir in 1995 allowed Berkshire to write the holding up again, to \$215m. At Monday's meeting, Mr Buffett said the investment "looks considerably better than it did 18 months ago, but the fundamental problems are there".

Cyberbankers set to invade the Internet

Web sites are being set up to help small companies raise money, writes Lisa Bransten

A few weeks ago Mr Andrew Klein was a former corporate lawyer trying to build up a small brewing company in Manhattan. Then his Spring Street Brewing conducted its initial public offering over the Internet, and hundreds of tiny companies flocked for advice about raising capital in cyberspace.

Now he has formed Wit Capital Corporation - named after Spring Street's Wit beer - which he hopes to develop into a full-service investment bank offering underwriting and investing services on the Internet.

He is not alone. In Albuquerque, New Mexico, Mr Michael Weinstein and Mr Jack Ben Ezra hope to use the Internet to raise money for, among others, a start-up that builds housing for the elderly and a company that raises hydroponic tomatoes.

In California, Direct IPO

plans to offer shares in Internet businesses, and Scor-Net has launched a Web site that will list small companies seeking investors.

Mr Steven Wallman, a member of the Securities and Exchange Commission and a champion of the benefits of technological innovation, does not think Internet offerings will replace the Wall Street variety, although he believes they could provide opportunities for little companies seeking relatively small amounts of capital.

Spurring the process is the growing use by entrepreneurs of direct public offerings through a special SEC programme, and through state-registered Scors (small corporate offering registrations), both of which allow companies to raise a limited amount of money by selling shares directly to the public.

Mr Clay Womack, a private investor and fund manager in

E-Trade Group, a US electronic brokerage firm that offers share trading over the Internet, announced late on Tuesday that it planned to file a registration for an initial public offering by the end of June, writes Lisa Bransten in New York. This could herald one of the biggest IPOs over the Internet.

The broker has said it might underwrite at least a portion of its own IPO. Securities and Exchange Commission restrictions prevented the company from disclosing more details.

Recent IPOs of Internet related companies have been valued at three to 12 times forward revenues, according to Mr Jonathan Cohen, an analyst at Smith Barney. That puts the value of E-Trade, which had revenues of nearly \$10m in the fourth quarter of last year, at about \$50m.

E-Trade was founded in 1991 by Mr Bill Porter, a physicist who was led in to on-line broking through his interest in getting stock quotes from his computer. It began offering on-line trading in 1992, mostly through on-line services such as America Online, and this year it began offering trading over the Internet.

California, launched the Scor-Net Web site as a resource for small businesses in August. Later this year, he hopes to begin listing corporate offerings registered under the Scor programme for an initial fee of \$350 plus \$500 a quarter.

Scor-Net is being developed with state regulators as a non-profit entity, and has asked the SEC to review its plans. Consumer Services of California, the financial services database that is sponsoring Scor-Net, will not make claims about the authenticity of any company listed on the site, but it is only available to state-registered offerings.

Wit Capital, Direct IPO and the Ben Ezra-Weinstein group all plan to perform some due diligence in exchange for much higher fees or a percentage of the capital raised.

None of that guarantees fraudulent companies will not find their way on to the Internet, but Mr Wallman thinks the Internet's open nature makes it a difficult environment for fraudsters.

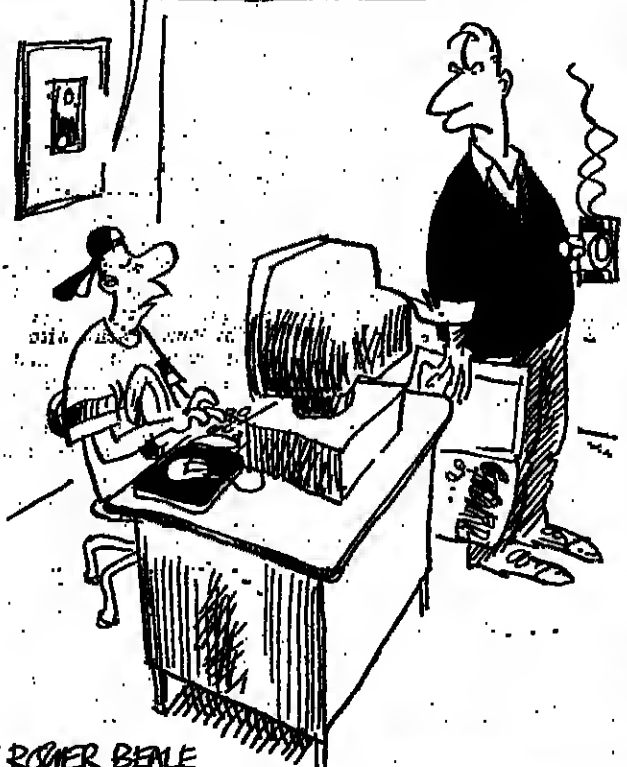
Risky ventures are another story. By their nature, capital-poor companies with no record are always a gamble. Mr Tom Stewart-Gordon, who monitors small offerings as publisher of Scor-Report, says that the deals work best in rural areas where everybody knows the people starting up the business.

"The Internet is a great source of information, but you don't have analysts monitoring the companies and that is a problem," he says. There is a populist tone to

the ideas of these would-be cyberbankers; who want to provide main street investors with a way in to companies that are usually only available to large institutions and rich venture capitalists.

In recent IPOs for companies such as Netscape Communications, the Internet software maker, and Yahoo!, the Internet guide, large institutions got most of their share allocations from the investment banks and many were able to

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COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp shares slip in response to earnings fall

By Nikki Tait in Sydney

Shares in Rupert Murdoch's News Corporation fell almost 3 per cent yesterday after the media and entertainment group announced a sharp decline in after-tax profits for the three months to the end of March - from A\$251m (US\$200m) in the period a year ago to only A\$77m this time.

The fall, however, was mainly caused by a A\$204m abnormal item - compared with a A\$40m charge last time - resulting from losses on the sale of the educational book-publishing interests to Pearson, which owns the Financial Times, for US\$575m in February.

The lower third quarter result brought the profit after tax and abnormal for the first nine months of the financial year to A\$77m, compared with A\$1.07bn in the first three quarters of 1994-95.

Before abnormal, third quarter profits were also lower - but by a much more modest 3.4 per cent. News made A\$281m, down from A\$291m in the third quarter of 1994-95. This left the nine-month profit figure at A\$944m, compared with A\$954m previously.

Revenues for the third quarter were up from A\$2.88bn last time to A\$3.05bn and for the nine months down from A\$8.97bn to A\$9.83bn. Earnings per share after nine months, before the abnormal charges, were down from 33 cents a year ago to 30 cents.

News said most of its business divisions posted gains. There was a strong performance by the film unit, which saw third quarter operating profits rise from A\$4m a year ago, to A\$63m - helped by good box office returns for *Whiting to Exhale*, *Broken Arrow* and *Braveheart*.

The newspaper division also

held steady overall, at A\$117m for the quarter - from A\$116m - despite absorbing the large paper price increases. In the UK, the newspaper interests posted an 8 per cent improvement in operating profits, but the Australian business fell 4 per cent.

There was a weak performance by the TV division, where third quarter profits slipped from A\$113m in the third quarter of 1994-95 to only A\$77m this time. News said this reflected lower earnings at both Fox Broadcasting in the US, where higher licence fees and promotional costs cut margins, and at its Hong Kong-based Star TV business.

Third-quarter interest charges rose A\$140m to A\$160m.

The size of the abnormal item surprised some analysts, as did the weakness on the television side. News shares closed down 19 cents at A\$7.01.

NEWS DIGEST

Reliance net profit up 22.6% for year

Reliance Industries, India's largest private sector enterprise, recorded a 22.6 per cent increase in net profit to Rs13,058m (US\$78m) in the year ended March 31, against Rs10,658m last year.

The textiles and petrochemicals conglomerate reported record total income of Rs90,568m this year, up from last year's Rs73,318m. Sales increased from Rs70,189m for the previous financial year to Rs77,868m. Operating profit rose from Rs16,238m to Rs17,528m and cash profit from Rs13,438m to Rs16,428m. Profit available for appropriation for the current year was up from Rs11,277m last year to Rs13,058m.

The directors recommended a total dividend payout of Rs2,768m for the year, the largest in the Indian private sector. Reliance Industries is one of the most widely-owned companies in the world, with more than 2.6m shareholders. The company's net worth stood at Rs84,058m and total assets at Rs150,388m.

Reliance is setting up a 15m tonnes a year oil refinery at Jamnagar in Gujarat, at a cost of Rs870m to supply liquefied petroleum gas, naphtha, gasoline, kerosene, diesel and other important petroleum products to its own petrochemical plants, and eventually for the domestic market. This is part of the company's strategy of vertical integration, under which it aims to be involved in the entire value-added chain - from oil production to the retailing of a variety of petroleum products to textiles. The company is also diversifying into new sectors, including energy, infrastructure and natural resources.

Shiraz Siddhwa, New Delhi

Wesfarmers dips at nine months

Wesfarmers, the Perth-based energy and rural products group, has announced a 27 per cent fall in profits after tax during the first nine months of 1995-96. The company said yesterday that it made A\$64.5m (US\$51.6m) in the nine months to the end of March, down from A\$88.5m in the same period a year ago.

It blamed the downturn on the depressed wool market, the drop in beef cattle prices and the slowdown in the house-building sector. Wesfarmers acknowledged that demand for fertilisers and chemicals was likely to be stronger in the final quarter of the current year, but said directors had again downgraded estimates of full-year profits. Shares in the group fell 12 cents to A\$7.75.

Nikki Tait, Sydney

James Hardie to close unit

James Hardie, the Australian building materials group, warned yesterday that the proposed sale of its international contracting business had fallen through, with the result that the operation will now be closed down. It expected the closure to result in an abnormal charge of A\$6m (US\$4.8m), bringing total abnormal charges in the year to March to A\$27m.

Nikki Tait

Ampolex snubs Mobil arm's bid

Ampolex, the Australian energy group facing an unwanted A\$1.5bn (US\$1.2bn) bid from an offshoot of Mobil, the US oil giant, yesterday formally rejected the terms, saying the offer "does not recognise Ampolex's strong growth record and immense potential, let alone its specific value to Mobil". It has sent shareholders an "independent valuation report" by Grant Samuel, which puts the value of Ampolex shares at between A\$4.44 and A\$5.91. Mobil is offering A\$4.25 a share.

Nikki Tait

India's NSE builds stock list for automated system

By Mark Nicholson in New Delhi

India's National Stock Exchange is canvassing local and foreign financial institutions to determine a list of the first 100 Indian stocks to be admitted to what the Bombay-based exchange hopes will become the country's first automated share depository.

Mr R.H. Patil, NSE managing director, believes the exchange will have a software package ready by September and could begin automated, book-entry share settlement operations in October, provided India's next government does the necessary legal groundwork in time.

He said the list of the first 100 stocks would be complete by next month. Mr Patil said the NSE, which is partnered in the depositories venture by the Industrial Development Bank of India, the country's biggest

term-lending institution, and the Unit Trust of India, the biggest mutual fund, were "eight to nine months" ahead of rival consortia aiming to establish depositories.

Creation of a share depository to supersede the cumbersome, costly and erratic system of paper-based trading and settlement is expected to do more than any other single reform to improve the efficiency of Indian equity markets. It is also likely to trigger much bigger inflows of foreign portfolio investment, notably from US-based funds.

The government issued an ordinance last year permitting a system of multiple depositories. This has since lapsed and would have to be renewed by India's next government, being decided in elections this week, and put into law by the new parliament. Market officials foresee no political opposition.

In the meantime, Mr Patil said the NSE, which began operating as a rival to the Bombay Stock Exchange in 1994 and is owned by 30 Indian financial institutions, had shortlisted two technical suppliers from Sweden and Belgium for the depository.

Mr Patil also said the NSE had written to the biggest equity market participants asking each which stocks they would like to see as part of a start-up depository. He said that only 100 stocks would be admitted initially, but added: "We hope this will nevertheless be able to cover 50 per cent of the stock float in the market."

In the past year the NSE has risen in the last year to become India's chief equity exchange. In the past six months NSE volumes had surged to average three times those of the Bombay Stock Exchange, Mr Patil said.

Sony charts course for its brave new world

The group is focusing on hardware but building a digital role, says Michio Nakamoto

Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment.

Earlier this year Mr Nobuyuki Idei, a year in to his job as Sony president, outlined the corporate vision - a company that will "fulfil the dreams of the digital era". Soon afterwards, he announced a shake-up of the group to achieve that vision.

Sony has also agreed an alliance with Intel to enter the PC market, has joined an industry-wide alliance to standardise technology for digital video disks and is restructuring its US films operations, removing its former US chief, Mr Mickey Schulhof, in the process.

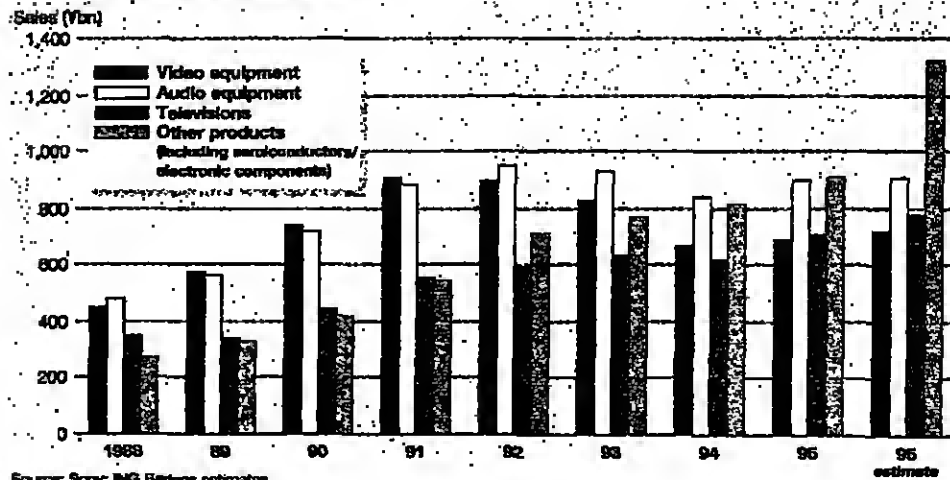
The flurry of activity suggests Sony is coming to grips with its role in the changing world of consumer electronics. During the past few years, it had looked like a company that had lost its way.

Problems at Sony Pictures Entertainment, its US film subsidiary, which has suffered falling sales over the past two years, resulted in a goodwill write-off. It also had to bend to a compromise after a public argument with Toshiba of Japan and consumer electronics groups over the digital video disc standard.

These were the more conspicuous signs of the difficulties facing Sony but at their root were the significant changes occurring in its main consumer electronics markets.

Large, lucrative markets, which once seemed to have an insatiable appetite for new electronic goods, have become battlegrounds for brutal price-cutting. At the same time,

Fields of digital dreams



Source: Sony; ING Barings estimates

analogue technology - long the basis for consumer electronics products - is increasingly being replaced by digital technology.

To support an organisation of such size, Sony has struggled to keep production up at all costs.

To do so, it adopted an aggressive pricing strategy that earned it notoriety among competitors. Sony "drove prices of laser disc/CD players so low... that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

components in-house will be a crucial determinant of success, says Mr Masashi Kubota, industry analyst at ING Barings in Tokyo.

Sony's particular strengths in encoder/decoder technology, disk drives, optical pick-ups and lithium ion batteries strengthen its ability to become a leading provider of digital products.

Meanwhile, rather than pursue elusive synergies between its hardware and software business, the company is now "simply trying to establish a stable profitable organisation in each of its key businesses: electronics, music and films," Mr Kubota says.

The film business is being restructured to concentrate on generating profits through reliable projects, such as TV programmes, rather than high-risk, high-budget movies, analysts note. Its music business has generally provided stable profits.

The greatest test of Sony's success in fulfilling its digital dream is likely to come through its alliance with Intel to produce a PC for home use.

As PCs increasingly become household items, Sony sees an opportunity to enter the home PC market. Since most people find it difficult to use today's PCs without intensive instruction "it is inconceivable that PCs will enter the home in their present form," Mr Idei believes. "We hope to make PCs that people can enjoy."

Given the strong reputation it has built in the past 50 years, Sony seems well placed to succeed in the multimedia world. But the further it goes beyond its traditional borders in search of its digital dream, the more daunting the competition it faces from unfamiliar rivals.

It was also transformed from a paragon of creativity and entrepreneurial spirit into a bloated, bureaucratic organisation, struggling to maintain sales in shrinking markets.

"Sony employs about 1,000 new graduates annually, which is enough to fill a new building each year," notes one company official. "But it cannot cut staff when things are bad. The

dilemma for companies in post-war Japan, including Sony, is that they have to keep growing."

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To do so, it adopted an aggressive pricing strategy that earned it notoriety among competitors. Sony "drove prices of laser disc/CD players so low... that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

While the problem of weak prices persists, particularly in the mature audio market, the environment is looking decidedly better for Sony.

The consumer electronics market is expected finally to start expanding again with the emergence of new multimedia products, such as digital video disc and multimedia PCs, based on digital technology.

for the whole of 1995.

The company's results came in slightly above market expectations, but there is still concern about the amount of market share Indosat is losing to Satelindo, a global system for mobile operators. It competes with Indosat in providing international direct dial services, although Indosat does have a minority stake in the system.

Indosat estimated that underlying growth in international telephone traffic for the whole market was about 24 to

25 per cent, implying Satelindo's market share gained between 8 and 10 per cent in the first quarter.

Satelindo's market share in 1995 is estimated to have been 7.7 per cent. Indosat's expectation is that by the end of this year Satelindo will have between 10 and 12 per cent of the market.

Indosat is also selling 2.5 per cent of its minority stake in Telkomsel, a GSM mobile phone operator in which PTT of the Netherlands recently

acquired a 17.3 per cent holding for \$304m.

It expects to raise between \$40m and \$50m to prepare financing of the new PCS/FCH - high frequency - cellular ventures.

Meanwhile, Telkomsel's GSM service is due to be launched in Jakarta - the main market for GSM cellular services - in June this year. Indosat estimates Telkomsel's subscribers will rise to 120,000 at the end of 1996, compared with 55,000 nationwide currently.

Indosat posts 8.7% rise in opening quarter

By Manuella Saragosa in Jakarta

Indosat, the Indonesian state-controlled international telecoms carrier, lifted 1995 first-quarter net profit by 8.7 per cent, boosted by an 18 per cent increase in its international traffic volume.

Net income in the quarter totalled Rp114.6bn (\$49.2m), compared with Rp105.5bn last time, while operating revenues increased from Rp238.8bn to Rp278.1bn, with 14.8 per cent of

the advance coming from international telephone revenues.

Indosat's first-quarter traffic figure was slightly skewed by the inclusion of telephone traffic at special rates between bordering cities, such as Batam island, off Sumatra, and Singapore, which accounted for about 3m of the 134.7m minutes in total international traffic in the first quarter.

Net of this figure, international traffic grew by just over 15 per cent, which is consistent with Indosat's traffic growth

for the whole of 1995.

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NOTICE is hereby given that, by a letter dated 8th May 1996 (the "Letter") enclosing a press release issued on 3rd May 1996 (the "Press Release"), Royal Insurance Holdings plc (the "Company") notified its shareholders that, in connection with the proposed merger between the Company and Sun Alliance Group plc ("Sun Alliance"), a scheme of arrangement under Section 425 of the Companies Act 1985 is to be proposed in relation to the Company pursuant to which all the issued share capital of the Company will be cancelled and re-issued to Sun Alliance and Sun Alliance will issue new shares to former shareholders of the Company. A copy of the Letter and the accompanying Press Release can be obtained from the offices of the paying agents specified below.

Details of the proposals to be made to the holders of the Bonds referred to above will be notified to holders of the Bonds in due course in accordance with the terms of the Bonds and will also be available from the offices of the paying agents specified below.

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Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

Bankers Trust Luxembourg SA, PO Box 807, 14 Boulevard F D Roosevelt, L-2450 Luxembourg.

Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland.

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Handwritten signature or stamp at the bottom of the page.

COMPANIES AND FINANCE: UK

Marketing plans and loyalty card aimed at regaining market share Sainsbury's 22-year run ends

By Christopher Brown-Humes

J. Sainsbury yesterday announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card.

group has regained some of the sense of direction which has been lacking over the last year," said one analyst. Sainsbury's market share has slipped from 12.6 per cent to 12.5 per cent, while Tesco's has surged from 12.4 per cent to 13.9 per cent.



Royal Bank plans to increase its diversification

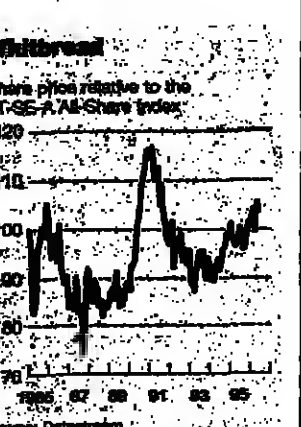
By George Graham and Ralph Atkins

Royal Bank of Scotland aims to make 20 per cent of its profits from new businesses outside its traditional banking and insurance core by 2000. Mr George Mathewson, chief executive, announced the goal yesterday as the group reported profits up by 11 per cent at £301m (£456m) before tax in the six months to March 31.

Despite the Direct Line setback, Mr Mathewson said RBS could repeat its success in markets such as credit cards and telephone sales of mortgages and deposits. "We believe we can do well despite, and indeed because of, our limited market share. Companies with large market shares and high margins will find it difficult to compete with new entrants because of the damaging effect on their bottom line."

LEX COMMENT Whitbread

There may be few signs of a pick-up in UK consumer spending to drive profits at Whitbread's pubs, restaurants and hotels, but its aggressive capital expenditure programme is doing the trick instead. Returns on investment in new or refurbished pubs and restaurants significantly exceed the cost of capital, with pubs generating annual returns of between 15 and 17 per cent.



Panel attempts to clarify Lucas plans

By Tim Bart

The Takeover Panel yesterday tried to defuse the bid speculation over Lucas Industries by persuading the automotive and aerospace equipment manufacturer to issue a statement denying that its talks with Varty Corporation of the US could lead to a takeover of the UK group.

The panel, however, warned Lucas it could impose an "offer period" on the company, forcing it to issue details of share dealings, if it failed to issue a statement. Some analysts accused the panel of muddying the waters, with one claiming that yesterday's statement would only confuse investors.

Zeneca sells textiles colours to BASF

By Daniel Green

Zeneca is to sell its textiles colours business to BASF, the German chemicals and drugs company, for up to £150m (£226.50). The deal completes the disposal of nearly performing businesses announced by Zeneca on March 7. The company said yesterday no further disposals were planned.

of about £65m to BASF. Zeneca had discussed the business with several European chemicals companies. This includes sites at Ellesmere Port in the UK, Jacaré, in Brazil, and a US warehouse, mixing and re-packing plant in Charlotte, North Carolina.

Weak US hits shares in Tate & Lyle

By Roderick Oram, Consumer Industries Editor

A warning from Tate & Lyle yesterday that increased US corn processing capacity and surging corn prices would dent profits triggered a sell-off in its shares and cuts in analysts' forecasts. The shares closed down 14p at 462p, as analysts said pre-tax profits would fall £20m short of last year's £311m (£470m) against previous forecasts of flat profits.

and sweeteners were offset by rising profits from Europe and emerging markets. Staley, Tate's US corn starch and sweetener producer, had hedged all its corn supplies for the rest of the financial year to September, Sir Neil Shaw, chairman, said. However, the cost of securing supplies as prices rose rapidly was a key factor behind a £254m increase in first-half working capital and a £284.5m rise in net debt to £315.8m.

The risk behind Olayan's bets

Roula Khalaf and Samer Iskandar analyse the National Grid deal

Combine Warren Buffett's long term investment outlook with George Soros's appetite for risk and you get an idea of what Saudi billionaire and financier Suliman S Olayan is about. Mr Olayan made headlines last week when he entered into a derivatives transaction with HSBC James Capel to hedge the stockbroker's risk in the purchase of 210m National Grid shares from Hanson, the industrial conglomerate.

It is how the deal is likely to have been structured, according to equity derivatives specialists. The aim is that James Capel and Olayan "share the upside". The stockbroker is believed to have sold an over-the-counter call option, which allows its holder, in this case the Olayan Group, to benefit from a rise in National Grid's share price.

Mr Olayan is known as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements. He has increasingly developed the reputation of an investor who resorts to sophisticated financial engineering to take big gambles on stocks he likes.

market was down on bank stocks in 1991, Mr Olayan chose to increase his stake in Chase Manhattan to 5 per cent. He made headlines in 1988 when he provided \$600m in bridge financing to facilitate the merger of First Boston with Credit Suisse First Boston. Today he also has stakes in JP Morgan and Transamerica.

Suliman S Olayan is known as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements

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Financial adviser to The Office of Passenger Rail Franchising. HSBC Samuel Montagu Member HSBC Group. 10 Lower Thames Street, London EC3R 6AE. Telephone: (0171) 260 9000 Facsimile: (0171) 623 5312. HSBC Samuel Montagu is a division of HSBC Investment Bank plc which is regulated by SFA.

Table with columns: Company, Turnover (£m), Pre-tax profit (£m), EPS (p), Dividends (p), Date of payment, Total for year, Total for year. Includes rows for Avon Rubber, Baxi (Ames), BCC, Hollands & Marshalls, Royal Bank Scotland, Sainsbury (J), Sanderson Elect, Tate & Lyle, Whitbread, and Investment Trusts.

TECHNOLOGY

Airport belt in the bag

Computerised baggage handling systems have had a bad name since the 1993 opening of Denver airport was delayed by serious glitches with its baggage technology.

But Matflex, a French handling equipment manufacturer, believes it has designed an electronic handling system that will be more reliable than its predecessors. Its Telegab system is going to be installed at Jersey airport next year.

The Telegab system uses individual, low-slung carts - known as "destination coded vehicles" - for each passenger's luggage. The electronically coded carts run on an aluminium track using linear motor technology at a speed of up to 5m per second.

The baggage is loaded on to the cart near the check-in desk, where the cart is coded with information about the passenger and the flight number. The carts are guided by a management control system linked to process logic controllers on the track, which direct them to a point where they can be loaded on to the aircraft.

Jean Schilland, technical director of Matflex, believes that breakdowns will be rare because the system has only seven moving parts. The system should not grind to a halt even if a cart breaks down because a functioning cart would be able to push the faulty one out of the way.

Jersey airport believes that its system of 40 carts, which will cost £750,000, will be 30 per cent cheaper to run than a conventional conveyor belt system.

It will cut costs and energy consumption because the number of carts can be tailored to demand. "We want to use the best system available that can meet quite different demands at different times," says Michael Lanyon, airport director.

If the Matflex system lives up to its promise, the airport should be able to transfer bags more quickly, cheaply and accurately.

Vanessa Houlder

At Siriol Productions' animation studios by the docks in Cardiff, the computers are no longer switched off at night. Instead, a program takes advantage of the unused computer power on the company network to colour and shade the newly drawn cartoons and introduce special effects.

The recently installed software saves money and time. When this painstaking, time-consuming work was done by hand, it was one of the slowest parts of the cartoon production process. By computerising the process, costs have been cut from £2,000 per minute of the cartoon to £800 per minute; the time taken to make a 10-minute cartoon has been reduced from months to weeks.

What makes this example of computerisation interesting is its speed. A conventional computer program would run extremely slowly since animation - which often involves 300 images per minute - requires vast amounts of processing power. But in the case of Siriol, its eight Pentium computers are linked together in parallel in a network. The software divides the workload so that the computers work three to four times faster together than they would separately.

This ability to work in parallel is the result of a European Commission-sponsored collaboration between Siriol, Perihelion, a software company, and Cambridge Animation Systems, the owner of the original software called Animo. At a cost of £500,000, it "ported" or recast the original software so it would run on a parallel system.

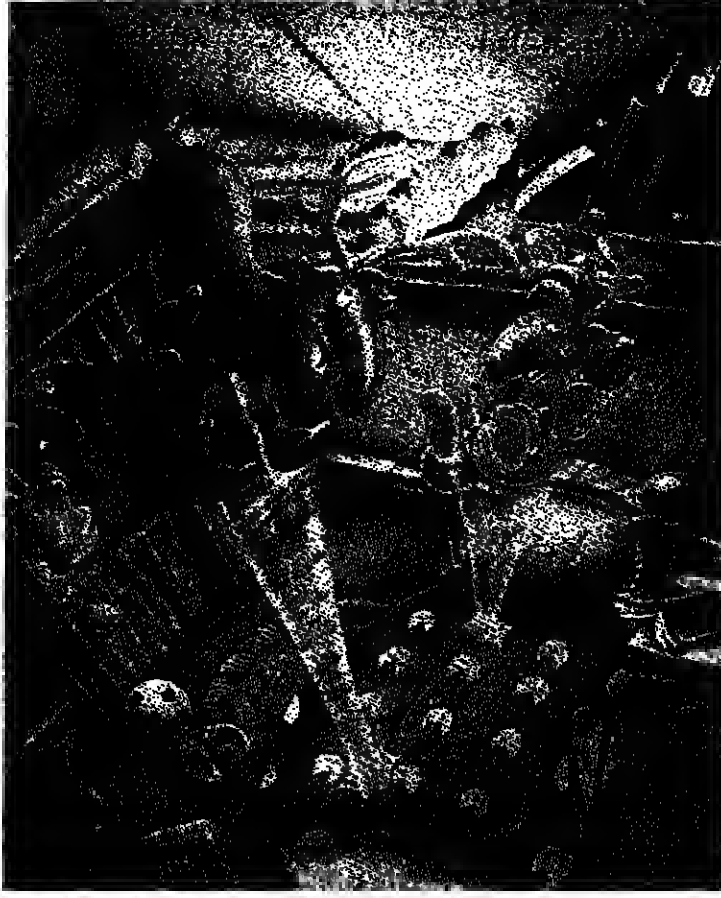
All three companies are pleased with the results. Lynne Stockford of Siriol Productions describes the savings that have resulted from the Animo program as "a revelation". "Going parallel on cheap computers really is the answer," says Peter Stansfield, consultant to Cambridge Animation. Since getting involved in the project, it has sold several hundred of the Animo systems to the Dreamworks and Warner Bros studios.

The European Commission, which half funded the project, is also enthusiastic, treating the Animo program as a showpiece in its Euzum (E18a) Europort project.

This project, which is part of the Esprit programme on information technology, is designed to foster greater availability and take-up of programs that can run in parallel.

Its enthusiasm for parallel processing is based on the idea that it is a relatively cheap method of securing high-performance computing.

Parallel processing machines can be made by linking dozens, sometimes even thousands, of inexpensive industry-standard microprocessor chips. In certain cases, such as that of Siriol, it can be achieved by the even cheaper approach of linking



Working in parallel: Siriol's computers have speeded up cartoon production

Going parallel

A cut-price version of supercomputing is within reach, explains Vanessa Houlder

PCs or workstations in a network.

The Commission argues that supercomputing is no longer merely the domain of grandiose projects such as nuclear physics and long-range weather forecasting. A cut-price version of supercomputing is within the reach of even small businesses, it says.

The Commission believes that its role is to make software for parallel processors more widely available. According to Adrian Colbrook, a principal at Smith System Engineering which is managing many of the Europort projects, it is trying to tackle the problem that most avail-

able industrial or commercial software was written many years ago and cannot exploit the capabilities of parallel processors.

Recasting programs for parallel processing machines is time-consuming and expensive. As a result, there is deadlock. Application developers argue that there is no end-user market for parallel code, and end-users feel there are no applications to run on parallel architecture.

The Commission's solution to this conundrum has been to produce commercially usable parallel code that would demonstrate the benefits

of parallel computer technology for a wide range of industries.

It chose 33 programs to be ported. They were tackled by project teams that included the owners of the program, the parallel software experts, and end-users including ABB Robotics Products, Agip, Bayer, ICI, Unilever and Zeneca. The resulting code has been tested and compared on the whole range of parallel machines available, from workstation clusters up to massively parallel processors.

Parallel processing is not the answer to all computing problems. The type of application involved in Europort typically involves heavy, mathematical computation, and moreover lends itself to being split into discrete tasks, which have minimal need for interaction during processing.

Applications range from relatively traditional uses for parallel processing such as fluid dynamics and structural mechanics to less common ones such as earth observation, radiotherapy, network simulation and drug design. For example, E. Merck, the German pharmaceutical company, Parsytec, the manufacturer of parallel computers and the European Molecular Biology Laboratory worked on porting "MaxFlon" software. This technology searches protein databases for information that relates the sequence of amino acids (chemical units) in a newly discovered protein to known protein structures. Thus, it allows researchers to build models of the three-dimensional shapes of protein molecules. Now that the software can run in parallel, it delivers answers to complex searches in minutes instead of several hours.

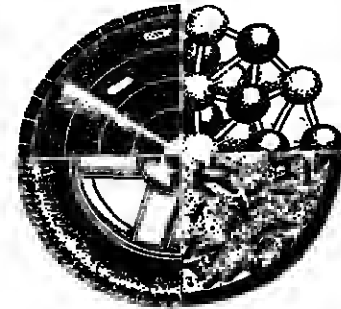
But the Commission's role is controversial. Its record in promoting supercomputing hardware in Europe has largely been unsuccessful. Some critics believe that its efforts at promoting parallel processing software will, at best, be an irrelevance.

Jane Doory, director of systems software and services at Dataquest Europe, the research group, suspects its work is unnecessary. "Most of the major software codes have been ported, or are in the throes of being ported," she says.

Furthermore, she does not believe that companies need to be convinced about the merits of parallel processing. "Most users already know the benefits of parallel systems," she says.

But those involved in Europort disagree. Agnes Bradier, a project officer, believes that the benefits of parallel processing could reach a much wider audience. "We are taking massively parallel processing out of the laboratories and putting it on the desktops of the small- and medium-sized enterprises," she says.

Worth Watching - Vanessa Houlder



'Lefty' gene points way on asymmetry

Why is the heart on the left side of the body? Until recently, there have been few clues to the molecular basis of this kind of asymmetry.

In Nature magazine today, Japanese scientists at the Tokyo Metropolitan Institute of Medical Science and Osaka University describe a gene called "lefty" that could be responsible for left-right asymmetry. It appears to produce a hormone that guides the formation of tissues and organs by its concentration gradient.

The "lefty" hormone appears in a transient and asymmetrical fashion in the mouse embryo before the first signs of asymmetry emerge. In mutant mice, where the organs are laid out in a mirror-image of the usual plan, the pattern is reversed.

Nature also publishes reports from scientists at Harvard University and the National Institutes of Health who have described another gene, "nodal". It too appears to have an important role in determination of left-right asymmetry.

Tokyo Metropolitan Institute of Medical Science, Japan, tel 63797994; fax 63799416.

Optical switch's potential for storage

The Georgia Institute of Technology is working on a light-activated optical switch that could ultimately be the basis of a miniaturised data storage system.

Previous attempts to make optical switches have used irreversible photochemical changes to store information, meaning that data could be written to them only once. But Georgia Tech can make the system rewritable, which could make the switches valuable for storing computer data.

The switch is based on left- and right-handed molecules which are

affected differently by varying forms of polarised and unpolarised light. The system, which is many years away from a practical application, would be able to store data in three dimensions, allowing large amounts of information to be packed into a small space.

Georgia Institute of Technology, US, tel 4048943444; fax 4048946933.

Bicycle shed's high-tech treatment

A high-tech, space-saving bicycle shed is to be built at a railway station at Krefeld, near Düsseldorf. The Fraunhofer Institute for Material Flow and Logistics has adapted warehousing technology in its design. The bicycle owner takes a ticket from a machine that opens the shed. The bicycle is secured using a wheel clamp and carried on a carousel to a storage level. The system can store 3,000 bicycles on several levels.

Fraunhofer Institute for Material Flow and Logistics, Germany, tel 2319743217; fax 2319743336.

Geographic data more available

Many businesses find computerised geographic information systems helpful when analysing data by locality or region. But making full use of GIS often requires specialist programming skills. Kingswood, a UK GIS specialist, and Alsoft, a French developer, hope to bring GIS to a wider audience by launching the UK version of Geo Concept, a geographical information system that can be linked to a company's existing databases and spreadsheets without expert programming.

Kingswood, UK, tel (0)181 994 5404; fax (0)181 747 8047.

Keeping tabs on food temperatures

Food retailers will be able to review the temperature of food on its journey to the supermarket with an electronic system. The Temperature Tempit Logging system, developed by J. Sainsbury and Industrial Electronic Automation, consists of a plastic tag that records temperature data which can be linked to a PC and read on arrival.

J. Sainsbury, US, tel (0)171 921 6000; fax (0)171 921 0156.

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السنة من الايام

COMMODITIES AND AGRICULTURE

LME acts to limit impact of copper market squeeze

By Kenneth Gooding, Mining Correspondent
The London Metal Exchange board took action yesterday to limit the impact of a technical squeeze rapidly developing in its copper market.

price was \$2,833 a tonne. Before the LME's action it was costing about \$2 a tonne to carry forward a short position for a day but this increased to \$3 shortly afterwards.

metal had risen to \$320 a tonne. Last night the backwardation was \$147.75 a tonne after cash copper closed up \$63 at \$3,945.25 while three-month metal was \$2,897.50, up \$84.50.

Crop scouts view America's bitter harvest

The damage is more extensive than agronomists had expected, writes Laurie Morse
Several dozen of the nation's top wheat experts fanned out across the length and breadth of Kansas last week, seeking evidence that the state's beleaguered wheat crop might have the potential to recover.

Instead, said Mr Ben Hancock, President of the US Wheat Quality Council, and a farmer who has been looking at wheat all his life: "The situation was the worst I've ever seen, and far worse than the poor crop of 1988... We expected to find a lot of bad wheat, but personally I didn't believe it was this bad. It is."

national's hard red winter wheat is facing its smallest crop since 1988. Although analysts who toured the state last week gave widely varying estimates of a potential harvest - the crop has just emerged from dormancy, and won't produce grain for another month - the consensus estimate was a mere 170m bushels, far below last year's rather poor production of 250m bushels, and less than half the state's 5-year average of 367m bushels.

Weather will continue to rule wheat prices in Chicago because marginal production in the southern plains could still be offset by a bumper crop of spring-planted wheat in more northern states. However, spring wheat seedlings are being slowed by rain and cool

weather. As of Sunday, spring wheat planting was only 22 per cent complete nationwide, compared with a five-year average of 52 per cent at this point in the season.

assistance. Most were required to purchase some level of crop insurance last year by the government. "It's going to be another lean year," says Mr Terry Kohler, manager of the Farmers Co-op Elevator in Garden Plain, in South Central Kansas, "the insurance will just about cover people's planting costs, but nothing more."

Cocoa body predicts surplus

By Allison Maitland
The first cocoa production surplus in five years was predicted yesterday by the International Cocoa Organisation.

World Cocoa Balance (000 tonnes)
Table with columns: Year, Net Crop, Grindings, Surplus/Deficit

world's biggest producer, was forecast at 1.05m tonnes, up 100,000 tonnes, while Ghanaian production was now expected to be 375,000 tonnes, or 45,000 tonnes higher than the previous forecast.

New Zealand dairy farmers set for bumper year

By Terry Hall in Wellington
New Zealand's dairy farmers can count on handsome returns this season - helped by exceptionally good late season weather, which has led to bumper production.

The New Zealand Dairy Board estimates that the average dairy farmer will receive a record payout for this season of around \$N24 (US\$2.75) per kilogram of milk solids. This is 60 cents more than last year, which was also considered "good".

Island - in the Waikato, Northland and the Bay of Plenty. It had been less good in the lower half of the island, including Taranaki and the Manawatu.

There are a lot of imponderables here. We don't know to what extent the British will be able to crank up milk production after the culling programme and in any case European dairy imports are covered by quotas.

new opportunities including slightly better access to Europe and the US. "We are selling cheeses that have not been seen before in the States and that are tailored for American tastes," he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
Table with columns: Metal, Price, Change, High, Low, Vol

Precious Metals continued

GOLD COMEX (100 Troy oz \$/troy oz)
Table with columns: Date, Price, Change, High, Low, Vol

GRAINS AND OIL SEEDS

WHEAT LCE (\$/bush)
Table with columns: Date, Price, Change, High, Low, Vol

SOFTS

COFFEE LCE (\$/cwt)
Table with columns: Date, Price, Change, High, Low, Vol

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000cwt)
Table with columns: Date, Price, Change, High, Low, Vol

ENERGY

CRUDE OIL NYMEX (42,000 US gals \$/barrel)
Table with columns: Date, Price, Change, High, Low, Vol

PRECIOUS METALS

LONDON METAL EXCHANGE
Table with columns: Metal, Price, Change, High, Low, Vol

INDEXES

REUTERS (Base: 1989/31=100)
Table with columns: Index, Price, Change, High, Low, Vol

LONDON TRADED OPTIONS

Table with columns: Option, Price, Change, High, Low, Vol

LONDON SPOT MARKETS

Table with columns: Commodity, Price, Change, High, Low, Vol

PRECIOUS METALS

LONDON METAL EXCHANGE
Table with columns: Metal, Price, Change, High, Low, Vol

PRECIOUS METALS

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PRECIOUS METALS

LONDON METAL EXCHANGE
Table with columns: Metal, Price, Change, High, Low, Vol

JOTTER PAD
The solution is HPC computer systems.
HEWLETT PACKARD

CROSSWORD
No.9,064 Set by QUARK

CROSSWORD
A crossword puzzle grid with numbers 1-30.

CROSSWORD
Answers to the crossword puzzle, including words like 'Landowner in snooker', 'Car surrounded by pears', etc.

INTERNATIONAL CAPITAL MARKETS

Treasuries remain flat ahead of auction France ready to refinance part of social security debt

By Lisa Branstetter in New York and Samer Iskander in London

US Treasury prices were mostly flat in early trading yesterday as optimism about demand at the afternoon auction of 10-year notes and unsurprising comments on the economy from the Federal Reserve combined to ease some of the market's bearish tone.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up 1/8 at 86 1/2 to yield 7.071 per cent, while at the short end, the two-year note was 1/4 lower at 98 1/2, yielding 6.181 per cent.

of the economy prepared by the Fed in advance of Open Market Committee meetings, was seen as encouraging to investors worried about inflationary pressures because it noted that prices remained relatively stable despite some tightness in the labour market and rises in commodity prices.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up 1/8 at 86 1/2 to yield 7.071 per cent, while at the short end, the two-year note was 1/4 lower at 98 1/2, yielding 6.181 per cent.

UK gilts ended a quiet session higher. Liffe's June long gilt future settled at 105 1/4, up 1/8, and rose to 106 1/4 in after-hours trading.

GOVERNMENT BONDS

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German bunds regained their footing after several days of uncertain trading. Liffe's June bund future settled at 96.03, up 0.30.

GOVERNMENT BONDS

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achieved within the Maastricht timetable. The June 10-year bond future closed at 97.96, down 0.21.

GOVERNMENT BONDS

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France ready to refinance part of social security debt

By Samer Iskander in London and David Owen in Paris

France's innovative refinancing of a large part of social security debt is about to get under way in earnest.

This week should see the issuance by a specially-created institution, the Caisse d'Amortissement de la Dette Sociale (Cades), of the first tranche of the FF140bn refinancing, in a move that will be watched with keen interest by European capital markets.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and eurobond issues.

defined and established on January 24, is charged first with extinguishing France's cumulative social security deficit for the years 1994 to 1996.

This is valued at the fixed amount of FF120bn for 1994 and 1995, and the provisional 1996 deficit has been put at FF17.7bn.

The body will also reimburse in annual instalments of FF12.5bn the French state's assumption of the FF110bn in liabilities arising from earlier financial deficits of the social security system. These deficits will continue to be managed by the state.

Finally, Cades will this year make a one-off payment of FF3bn to one of France's national health insurance funds.

said a "prolonged recession could seriously affect the performance of Cades".

French official projections show that even if nominal GDP declined by 7 per cent annually over the 13-year refinancing period, Cades' resources would still cover its obligations vis-à-vis the market.

The structure of Cades's liabilities will provide an additional cushion for investors in securities issued by the body. This is because the annual payment to the state is subordinated to debt servicing payments. In other words, the state will only start receiving its annual dues after the claims of all other lenders to Cades have been fully satisfied.

From an investor's point of view, this is equivalent to ending Cades with reserves - almost a "guarantee fund" bankers said - from which up to FF12.5bn can be taken every year to fill any gap between RDS receipts and amounts owed to Cades' creditors.

Warm welcome for issue from Vodafone

By Corner Middelmann

An inaugural £250m five-year bond issue for Vodafone, a UK mobile communications group, received a warm welcome in the sterling market yesterday.

INTERNATIONAL BONDS

While some felt that the pricing - at a spread of 42 basis points over gilts - was tight, most dealers said it was fair.

"We've been looking for five-year corporate bonds in sterling for quite some time, and this one has a lot going for it: a great household name and a nice bit of spread," said one trader. He found "puzzling" the lack of pre-marketing.

time to form a view," he said. The bonds were rated A+ by Standard & Poor's and A2 by Moody's.

Lead manager UBS reported good sales to UK institutions and PEP-funds, adding that the spread remained stable at 42 basis points over gilts.

The sterling sector also saw a £125m three-year offering for GECCO, priced at 7 basis points over gilts and aimed at Swiss retail investors, whose interest in sterling bonds has picked up recently, said bookrunner SBC Warburg.

In dollars, Bayerische Vereinsbank issued \$500m of five-year bonds at a spread of 22 basis points over Treasuries. While some dealers felt the pricing was tight given the quality of the name - Bayerische Vereinsbank was recently downgraded by Moody's from

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US DOLLARS, YEN, ITALIAN LIRE, NEW ZEALAND DOLLARS.

triple-A to A+, a syndicate official at Paribas, joint leads with J.P. Morgan, said the issue had seen good sales across Europe.

Empresa Publica, a Portuguese state-owned company, raised \$200m through an offering of six-year floating-rate notes, writes Anthony Sharpe.

The credit-enhanced notes are fungible with an offer last December, making it the largest financing for a Portuguese company.

Bankers Trust, which arranged the offerings with Banco Eflera, widened the appeal of the escudo bonds by providing asset swaps for investors who did not want to be exposed to the currency risk.

WORLD BOND PRICES

Table of world bond prices for Australia, Canada, Denmark, Germany, Ireland, Japan, Netherlands, Spain, Sweden, UK Gilts, US Treasury, and ECU.

FT-ACTUARIES FIXED INTEREST INDICES

Table of FT-Actuaries Fixed Interest Indices for UK Gilts, 5-yr, 10-yr, 15-yr, 20-yr, and 30-yr maturities.

FT FIXED INTEREST INDICES

Table of FT Fixed Interest Indices for various international bonds including US Dollar, Japanese, and Euro-denominated issues.

US INTEREST RATES

Table of US Interest Rates for Treasury Bills and Bond Yields across various maturities.

UK GILTS PRICES

Table of UK Gilts Prices for various government securities.

FT/FISMA INTERNATIONAL BOND SERVICE

Table of FT/FISMA International Bond Service for various international bonds.

BOND FUTURES AND OPTIONS

Table of Bond Futures and Options for France, Germany, and UK Gilts.

Other Fixed Interest

Table of Other Fixed Interest for various international bonds.

CONVERTIBLE BONDS

Table of Convertible Bonds for various international issues.

Prospective real time interest rate projections are based on a projected inflation rate of 1% and a real return of 4% for the period 1996-2001. Conversion factor 0.9445. 100% for August 1995-1996 and 100% for March 1996-1997.

FT/FISMA International Bond Service is a service provided by FT/FISMA International Bond Service Ltd, a subsidiary of FT/FISMA International Bond Service Group Ltd.

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MARKETS REPORT

Rand falls on signs of government split

By Graham Bowley

The South African rand came under renewed pressure on the foreign exchanges yesterday amid fresh concerns about the shape of the ruling coalition government.

It suffered a sharp decline amid large falls in government bond and equity prices after Mr P W De Klerk, deputy president, raised the prospect of the white-led National Party quitting the two-year old Government of National Unity.

Elsewhere, the D-Mark's recent revival continued as it gained at the expense of the dollar and most European currencies.

The dollar's sharp fall against the D-Mark came amid further weakness in the US

equity market and nervousness in the US bond market ahead of a large auction of bonds.

The Bulgarian lev continued its recent sharp decline, falling to an all-time low against the dollar.

The pound displayed some independent strength, rallying against the D-Mark and the dollar despite the D-Mark's gains against other European currencies.

The dollar held firm against the yen despite its losses against the D-Mark. It closed in London at 1106.23.

Against the D-Mark, it finished at DM1.5163 from DM1.528.

Sterling finished against the D-Mark at DM2.3019 from DM2.299. Against the dollar, it closed at \$1.5163 from \$1.5113 at

the previous close.

The view that the D-Mark may now be set for a rebound following stronger than expected German economic data in recent weeks gained ground yesterday, helped by comments by Mr Hans Jürgen Kobnick, a Bundesbank council member.

Mr Kobnick said that interest rate cuts in other European countries would probably prevent their currencies from strengthening against the D-Mark.

He also threw some cold water on speculation of lower German interest rates when he said he saw no room for further change in official interest rates, and no economic benefit in a lower rate.

The D-Mark made particularly strong gains against European high-yielding currencies.

Mr Lawrence Hatheway, currency analyst at UBS in London, said: "Many of the high-yielders were ripe for a correc-

tion but there is also the beginning of a shift in sentiment in favour of the D-Mark following more upbeat economic data."

He said an environment of rising interest rates, particularly in the US, was not conducive to flows into relatively high-yielding currencies.

Analysts said the Bulgarian lev's decline - from around

LY93 against at the beginning of last month to around LY130 - has been due to growing worries about the country's troubled banking system.

Mr Andrew Kenningham, analyst at Merrill Lynch in London, said the country's relatively low annual inflation rate of around 33 per cent did justify the recent collapse in the currency.

He said: "There has been a fight out of the currency and out of the banking system as the country faces large debt payments."

He said there was the possibility that the country, which has undergone a Brady-style debt restructuring, could become first country to default on its Brady bond payments, which could further hasten the currency's decline.

Yesterday's UK monetary meeting between the chancellor and the governor of the Bank of England ended without comment, with analysts

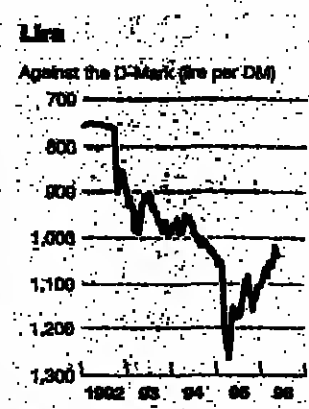
expecting no change in interest rates to follow the meeting.

Mr Tony Norfield, currency analyst at ABN Amro in London, said the strong link between sterling and the dollar had been broken in recent sessions in sterling's favour.

He said the pound had remained strong despite the dollar's decline against the D-Mark.

He said: "It is an indication of a reassessment of sterling's strength, supported by buying of UK assets by US investors and by less concern about the political risk."

Attention in the UK today will be on industrial production data for March which are expected to show further weakness.



Line graph showing the D-Mark rate per DM against the Dollar from 1992 to 1996.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for Closing mid-point, Change on day, Bid/offer spread, Day's mid high low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, Bank of England Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for Closing mid-point, Change on day, Bid/offer spread, Day's mid high low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, JP Morgan Index.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table showing exchange rates for various currencies including DM, SF, S, Y, and others.

D-MARK FUTURES (DM) DM 125,000 per DM

Table showing D-Mark futures data including Open, Last, Change, High, Low, Est. vol, Open Int.

STERLING FUTURES (DM) DM 125,000 per £

Table showing Sterling futures data including Open, Last, Change, High, Low, Est. vol, Open Int.

UK INTEREST RATES

LONDON MONEY RATES

Table showing London money rates for various instruments like Banker's Acceptance, Treasury Bills, etc.

THREE MONTH STERLING FUTURES (LIFE) £500,000 points of 100%

Table showing three-month sterling futures data including Open, Settle, Change, High, Low, Est. vol, Open Int.

SHORT STERLING OPTIONS (LIFE) £500,000 points of 100%

Table showing short sterling options data including Price, Jun, Sep, Dec, and other terms.

BASE LENDING RATES

Table showing base lending rates for various banks and financial institutions.

JAPANESE YEN FUTURES (DM) Yen 12.5 per Yen 100

Table showing Japanese yen futures data including Open, Last, Change, High, Low, Est. vol, Open Int.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European currency unit rates for various countries.

NON ERM MEMBERS

Table showing non-ERM member currencies and their rates.

THREE MONTH EURO DOLLAR (DM) \$1m points of 100%

Table showing three-month euro dollar data including Jun, Sep, Dec, and other terms.

US TREASURY BILL FUTURES (DM) \$1m per 100%

Table showing US Treasury bill futures data including Jun, Sep, Dec, and other terms.

THREE MONTH EURO DOLLAR (DM) \$1m points of 100%

Table showing three-month euro dollar data including Jun, Sep, Dec, and other terms.

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THREE MONTH EURO DOLLAR (DM) \$1m points of 100%

Table showing three-month euro dollar data including Jun, Sep, Dec, and other terms.

WORLD INTEREST RATES

Table showing world interest rates for various countries and currencies.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$1m points of 100%

Table showing three-month euro dollar futures data including Jun, Sep, Dec, and other terms.

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Advertisement for Les Echos, offering financial news and analysis.

Advertisement for Market-Eye, providing financial news and analysis.

anessa Houlder

ected differently by varying as of polarised and solarised light. The system, which is many years away from critical application, would be used to store data in three dimensions, allowing large amounts of information to be packed into a small space.

cycle shed's high-tech treatment

high-tech, space-saving layout is to be built at a railway yard in Bradford, near Wakefield. The Franchiser, the Materials Flow and Systems, has adapted its technology to the high-tech cycle owner taking a new machine that opens a cycle in a second cycle, a stamp and control system to a storage shed. The system can store 3,000 cycles at several levels.

geographic data more available

geographic data more available. The system is designed to help users find information on a wide range of topics, including local and regional news, weather, and travel. It is a powerful tool for researchers and students alike.

Keeping tabs on food temperatures

Keeping tabs on food temperatures. A new system has been developed to monitor the temperature of food during transport and storage. This is crucial for ensuring food safety and quality.

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with split capital structures, including names like British American Tobacco, British Airways, and British Petroleum.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts such as British American Tobacco, British Airways, and British Petroleum.

INVESTMENT COMPANIES

Table listing investment companies including British American Tobacco, British Airways, and British Petroleum.

LEISURE & HOTELS

Table listing companies in the leisure and hotels sector.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies.

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

OTHER FINANCIAL - Cont.

Table listing other financial companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PROPERTY - Cont.

Table listing property companies.

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers.

SUPPORT SERVICES - Cont.

Table listing support services companies.

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies.

AIM - Cont.

Table listing companies on the AIM market.

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

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GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Index, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE Actuaries Share Index.

AFP logo and other text on the left margin.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds including Royal Bank of Canada QFS Fd Mgrs Ltd - Credit, Fidelity Growth Funds Ltd, and others.

BERMUDA (REGULATED)**

Table listing Bermuda (Regulated) funds including Bermuda Int'l Investment Mgrs Ltd, Bermuda Int'l Growth Mgrs Ltd, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including ABI Investment Managers (Guernsey) Ltd, Guernsey Growth Funds Ltd, and others.

GUERNSEY (REGULATED)**

Table listing Guernsey (Regulated) funds including ABI Investment Managers (Guernsey) Ltd, Guernsey Growth Funds Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including ABI Fund Management Ltd, ABI Investment Managers (Guernsey) Ltd, and others.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds including ABI Fund Management Ltd, ABI Investment Managers (Guernsey) Ltd, and others.

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FT MANAGED FUNDS SERVICE

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (+44 171) 673 4876 for more details.

Main table containing various fund names, descriptions, and prices. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

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MANAGED FUNDS SERVICE
Please see the general conditions of sale and other
important information on the inside cover of this
document.

WORLD STOCK MARKETS

Table of stock market data for Europe, including sections for Germany, France, UK, and other European countries. Columns include stock names, prices, and changes.

Advertisement for Rockwell, featuring the text: 'Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world' with the Rockwell logo.

Table of stock market data for Asia, including sections for Japan, Hong Kong, and other Asian markets.

Table of stock market data for the Pacific region, including sections for Australia, New Zealand, and other Pacific markets.

Table of stock market data for Africa and other regions, including sections for South Africa, North America, and others.

Table of US indices, including Dow Jones, S&P 500, and other major US market indicators.

Table of US futures, including data for various futures contracts such as S&P 500, Treasury, and others.

Table of US stocks, listing various individual stocks and their performance metrics.

Table of international futures, including data for various international futures markets.

Table of Tokyo stock market data, including sections for various Japanese stock indices and individual stocks.

Footnote and disclaimer text at the bottom of the page, including information about data sources and reporting standards.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for High/Low Stock, High/Low Futures, and High/Low Bonds.

Survival course advertisement for HP. Text: 'If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing'

Handwritten scribble: 'Liberia 1.520'

Continued on next page

sales

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Passengers carried
Domestic passengers
Passengers carried

Domestic passengers
Passengers carried

Dividend

NYSE PRICES

Table of NYSE stock prices with columns for stock name, price, change, and volume. Includes sub-sections for -V-, -W-, -T-, -U-, -X-Y-Z-, and -C-.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices with columns for stock name, price, change, and volume. Includes sub-sections for -L-, -R-, -S-, -B-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-, and -A-.

AMEX PRICES

Table of AMEX stock prices with columns for stock name, price, change, and volume.

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Continuation of NASDAQ National Market stock prices from the previous page, including sub-sections for -L-, -R-, -S-, -B-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-, and -A-.

AMERICA

Dow falls further as tech shares tumble

Wall Street

US shares fell for a fifth consecutive session yesterday as the technology sector tumbled and investors worried that the bond market could weaken sharply after an afternoon auction of 10-year notes...

comfort from the Beige Book - a summary of the economy prepared by the Federal Reserve in advance of its May 21 Open Market Committee meeting - which said price levels remained relatively steady. Meanwhile, technology shares sank amid pessimism about demand for semiconductors...

about a new pricing system announced by the company. Elsewhere, Associates First Capital, which began trading yesterday, had garnered a premium of \$3 above its offering price of \$29 by midday. The financial services company, a unit of Ford Motor company, raised \$1.5bn by selling 67m shares at \$23 each.

EUROPE

Bourses weakened by Dow, rate worries

Interest rate worries, and more weakness on Wall Street, put pressure on bourses. ZURICH, which closed before the Dow's morning low, still dropped 1.4 per cent, the SMI index losing 4.5 at 3,334.1. Core blue chips were led down by Roche certificates, which fell Sfr136 to Sfr140.5. Other pharmaceuticals remained weak, with Ciba falling another Sfr14 to Sfr124.8 and Sandoz down Sfr15 to Sfr120.7. Goldman Sachs, however, reiterated its priority list recommendations for both companies, expecting that their merger into Novartis would go ahead by the end of the summer in spite of the EU anti-trust inquiry.

Unilever, net, fell in line with the market. KLM and the financials ING and ABN Amro underperformed: the airline shed F12.70 at F160.20 after Theodor Gillissen cut its 1996-97 earnings estimate from F16.50 to F15.25 a share, saying that the carrier faced increased competition and rising costs. ING fell F12.40 to F131.50 and ABN Amro F11.50 to F18.40. Speculators had to be quick. The engineering consultancy Haldenaj was up 70 cents, or nearly 7 per cent, at F125.70 to one point on rumours that one investor was building a limited stake. At the close the gain was 30 cents at F115.30. FRANKFURT had an uncomfortable afternoon but, in the end, the Dax index indicated a below-average decline of 20.1 to 2,456.78. Dealers said, however, that relatively low turnover, down from DM8.1bn to DM7.7bn, took any edge off this performance. There were individual winners. SGL Carbon, down DM7

FT-SE Actuaries Share Indices

Table with columns for May 9, May 8, May 7, May 6, May 5, May 4, May 3, May 2, May 1, Apr 30. Rows include FT-SE 100, FT-SE 250, FT-SE 500, and various European indices.

index eased 7.3 to 1,947.1, dragged down by the forestry sector, which lost 1.2 per cent. Ericsson picked up SKr1.5 to SKr14.4, while among the day's other corporate reports, Scania edged down SKr0.50 to SKr189.50 and Nordbanken picked up SKr1.5 to SKr17. HELSINKI was pulled back as Nokia A hit an intra-day low of FMI172, or FMI, ahead of the telecom group's first-quarter figures today, but dealers then saw the Ericsson progress report, Nokia ended at FMI75 and the Hex index down a percentage point at 1,895.28. Raision, weakened on Monday by a profits warning, climbed back into record territory on the excitement over its new margarine, Benecol, ending FMI10 higher at FMI78. Among early closing markets, VIENNA ended flat in spite of a disappointing first quarter at AMS, which left the chipmaker down Sch96 or 7.4 per cent at Sch11.99. The ATX index closed 0.89 higher at 1,110.99. BUDAPEST added to its string of highs with the Bux index up 67.42 or 2.4 per cent at 2,857.37, but TEL AVIV was held above a rise in the shekel and the Mishkain index slid 2.78, or 1.4 per cent, to 201.56.

Mexico hit by US weakness

Mexico City reversed an early rise, bending to pressure from the weakness on Wall Street, and the IPC index was down 7.55 at 3,161.61 in mid-session trade. ADRs of the benchmark Telmex were 1/4 easier at \$33 1/4 in New York, while Telmex L shares, the largest issue on the bolsa, declined 8 centavos to 12.54 pesos.

Supreme Federal Tribunal, overruling an injunction that had halted discussions on social security reform and effectively put on hold all of the government's reform plans. The Bovespa index rose 548.36 to 53,388. BUENOS AIRES continued its gentle bounce-back, ignoring US influences, and the Merval index was 3.70 higher at 561.76 by mid-session, adding to gains made on Monday and Tuesday.

SAO PAULO picked up 1 per cent in morning trade as investors awaited a vote by the

ASIA PACIFIC

Nikkei recovers after four-session 3.3% loss

Sewing Machine, which had been actively bought over the past few trading sessions, fell Y120 to Y2,090 on profit-taking. In Osaka, the OSE average moved up 54.35 to 33,509.71 in volume of 38.7m shares. Roundup Political analysts worried after Tuesday night's predictions of a hung parliament in India, saying that a congress/left coalition could slow political reforms. After an initial fall, however, foreign institutional investors bought aggressively, and BOMBAY's 30-share index closed 54.35 or 1.5 per cent up at 3,787.25, having registered a day's low of 3,653.91. Traders said the market was extremely volatile, as the

nation awaited clear results from the general elections. However, the foreign institutions bought into a sheaf of stocks, including Reliance, which reported net profits up from Rs10.65bn to Rs15.05bn, and rose Rs5 to Rs21.25 with some 6m shares traded. KARACHI seemed to be going nowhere at mid-session, as news of another bomb blast in the Punjab weighed upon sentiment. However, the successful sale of a 26 per cent strategic stake in the state-run Banker's Equity seemed to turn the mood and the KSE-100 index closed 35.75 or 2.1 per cent higher at 17,610.41 in volume up from 12.15m shares to 17.7m. MANILA climbed 1.7 per cent to an 18-month peak on

encouraging economic indicators, the composite index rising 51.78 to 3,065.05 in 12.9m shares dealt worth 2.87bn pesos. PLED, described as oversold, rose 70 pesos or 5 per cent to 1,480 pesos after rumours that the telecom group's first-quarter net income would be better than expected. SINGAPORE and KUALA LUMPUR subsided after overnight weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLESE composite 10.15 at 1,151.79. Investors in both markets were also concerned by Malaysian finance minister Mr Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in February.

SEOUL took profits, and the composite index fell 10.07 to 976.77 after a 1996 intra-day high of 992.07. News that the government would allow financial companies to raise their paid-in capital by a total of Won700bn in the third quarter shook share prices in late trading, the banking and financial sub-indices falling by 1.2 and 1.3 per cent respectively. SYDNEY saw profit-taking in resource stocks and weaker profits from News Corp, which left the latter 15 cents lower at A\$7.05 as the All Ordinaries index eased 9.80 to 2,298.50. HONG KONG, short of impetus, left the Hang Seng index 84.85 lower at 10,617, while SHANGHAI Bx slid 0.716 to 4 per cent in Russia, amid pressure from late liquidations by foreign investors.

S African industrials at five-month low

Johannesburg's industrial shares dropped to a five-month low. Local and overseas investors fled the market after the rand collapsed, nearing its worst-ever level on rumours that the National party might pull out of government. The industrials index

plunged 203.6 to 7,939.8, pulling the overall index down 80.5 to 4,795.6. Gains, however, seen as the only safe haven for investors, spurred through 2,000 points for the first time in 17 months, adding more than 2.5 per cent as a sturdy bullion price and

the weak rand benefited the shares. The golds index jumped 51.5 to 2,007.5. De Beers finished 25 cents softer at R140, Sasol retreated R1.45 to R147.75 and Sappi surrendered R2.05 to R47.75, but Freegold climbed B2 to a new high for this year of R51.

EMERGING MARKETS: FT WEEKLY INVESTABLE PRICE INDICES. Table with columns for Market, No. of stocks, Dollar terms (May 3 1996, % Change over week, % Change on Dec '95), Local currency terms (May 3 1996, % Change over week, % Change on Dec '95).

Poland's stock market must grow faster to accommodate potential foreign demand and avoid the risk of "speculative bubbles", Mr John P. Birkehead, the head of Dillon Read, warned this week as the Wig index hit a 52-week high yesterday after climbing by 6 per cent in three days, writes Christopher Bobinski in Warsaw. "The Warsaw Stock Exchange is still too thin and too small," he said of the market, established five years ago, which currently quotes 73 stocks whose capitalisation yesterday stood at \$3.1bn. The Wig indicator has risen by 74 per cent since the end of last year. Mr Birkehead was in Warsaw for a meeting of the US Congress financed Polish American Enterprise Fund, which has \$340m worth of public and private funds invested in Poland. He praised the WSE authorities for running the most "transparent" of the markets in the former Soviet bloc countries. But he is also looking to the government and managers of 15 funds established last year under the country's Mass Privatisation Programme to speed public offers and not allow the growth of the WSE to lose momentum.

FT'S&P ACTUARIES WORLD INDICES. Table with columns for REGIONAL AND NATIONAL MARKETS, US Dollar Index, Day's Change, Found Starting Index, Yen Index, DM Index, Local Currency Index, % Chg on day, Div. Yield, US Dollar Index, Found Starting Index, Yen Index, DM Index, Local Currency Index, % Chg on day, Div. Yield, DOLLAR INDEX - 1995=100.

Volume totaled 440m shares, against 450.1m. Domestic institutional buying offset arbitrage unloading, while individual investors and dealers targeted speculative stocks. The Topix index of all first section stocks rose 10.71 to 1,681.18 and the Nikkei 300 by 2.18 to 316.85. Advances led declines by 660 to 404, with 172 issues unchanged. In London the ISE/Nikkei 50 index eased 0.39 to 1,459.84. Traders said some domestic institutions were increasing their exposure to companies expected to report favourable earnings ahead of next week's start of the annual results season. "Confidence is not strong enough for buying across the board, but some investors have started stock picking," said a Japanese broker. High-technology shares gained ground on hopes that demand for semiconductors in the US, which had been declining in recent months, was about to bottom out. The electrical engineering sector rose 1.3 per cent, Hitachi gaining Y10 at Y1,110 and Toshiba Y12 at Y812. Carnmakers advanced 1.4 per cent after their recent decline on a rise in the value of Toyota Motor rose Y30 to Y2,370 and Nissan Motor Y11 to Y883. Speculative favourites fluctuated wildly. Sakai Heavy Industries, the most active issue of the day, rose Y150 to Y1,590 and Topcon, a medical optical instrument maker, gained Y90 to Y1,600. Janome

encouraging economic indicators, the composite index rising 51.78 to 3,065.05 in 12.9m shares dealt worth 2.87bn pesos. PLED, described as oversold, rose 70 pesos or 5 per cent to 1,480 pesos after rumours that the telecom group's first-quarter net income would be better than expected. SINGAPORE and KUALA LUMPUR subsided after overnight weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLESE composite 10.15 at 1,151.79. Investors in both markets were also concerned by Malaysian finance minister Mr Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in February.

FT FINANCIAL TIMES, FINANCIAL IZVESTIA, THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS AND CENTRE FOR FOREIGN INVESTMENT AND PRIVATIZATION. A conference convened by... London, 20 & 21 May 1996.

Opening Address: A Kazakov, Deputy Prime Minister, Chairman, State Property Committee, Russia. G de Selhens, Deputy Vice President and Director of Russia Team, EBRD. SESSION 1: RUSSIAN FINANCIAL MARKETS - WHAT ARE THE PROSPECTS? STATE OF THE RUSSIAN STOCK MARKET D Vasiliev, Chairman, Federal Commission on Securities and Stock Market, Russia. RUSSIAN FINANCIAL MARKETS: SPECIFICS OF DEVELOPMENT S Alekshchenko, First Deputy Chairman, Central Bank of Russia. PRIVATIZATION: NEW OPPORTUNITIES I Lipkin, First Deputy Chairman, Federal Property Fund, Russia. FINANCING THE STATE BUDGET: ROLE OF GOVERNMENT BONDS B Zlatkis, Head of the Securities Department, Ministry of Finance, Russia. SESSION 2: RUSSIAN CAPITAL MARKET INFRASTRUCTURE AND REGULATORY ENVIRONMENT LEGISLATION OF THE RUSSIAN STOCK MARKET ACTIVITIES: WAYS OF DEVELOPMENT R Orlovskiy, Head, State Legislation Department, Presidential Administration and First Deputy Chairman, Federal Commission of Securities and Exchange, Russia. RUSSIAN STATE DUMA: REGULATING GOVERNMENT SECURITIES MARKET M Zadoroznyy, Chairman, Budget Committee, State Duma, Russia. STATE ANTIMONOPOLY REGULATION OF THE STOCK MARKET V Belov, Deputy Chairman, State Antimonopoly Committee. STATE SECURITIES MARKET INFRASTRUCTURE Speaker from Moscow International Currency Exchange (MICEX). SESSION 3: RUSSIAN CAPITAL MARKET INFRASTRUCTURE RUSSIAN STOCK MARKET DEVELOPMENT: INSTITUTIONAL ASPECT P Ponomarev, President, PAUFOR. REGIONAL STOCK MARKETS IN RUSSIA V Korovin, Director, Foreign Investments, Federal Stock Corporation. INFORMATION AND TRADING SYSTEMS: FUTURE PROSPECTS K Mezulis, General Director, Interfax-Dealing. OVER-THE-COUNTER TRADING A Denisenko, General Director, Moscow Partners (Securities). RUSSIAN ISSUERS: TRENDS AND PROSPECTS A Kushnarenko, Managing Director, CFIP Financial Management Group. EMERGING REGISTRATION SERVICES D Shatilov, President, National Registration Company. REGISTRATION FORM: Includes fields for Title, Surname, Position, Department, Company, Address, Postcode, Country, Tel, Fax, Type of Business, and Signature of cardholder.